RETHINKING FINANCE AND STATE IN INDIAN ECONOMIC DEVELOPMENT: CONTINUITY OR TRANSFORMATION

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
MIDDLE EAST TECHNICAL UNIVERSITY

BY

PINAR KAHYA

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY
IN
THE DEPARTMENT OF POLITICAL SCIENCE AND PUBLIC ADMINISTRATION

SEPTEMBER 2024

Approval of the thesis:

RETHINKING FINANCE AND STATE IN INDIAN ECONOMIC DEVELOPMENT: CONTINUITY OR TRANSFORMATION

submitted by **PINAR KAHYA** in partial fulfilment of the requirements for the degree of **Doctor of Philosophy in Political Science and Public Administration, the Graduate School of Social Sciences of Middle East Technical University** by,

Prof. Dr. Sadettin KİRAZCI
Dean
Graduate School of Social Sciences ____________________

Prof. Dr. Kürşad ERTUĞRUL
Head of Department
Department of Political Science and Public Administration ____________________

Assoc. Prof. Dr. Galip YALMAN
Supervisor
Department of Political Science and Public Administration ____________________

Examining Committee Members:

Prof. Dr. Pınar BEDİRHANOĞLU (Head of the Examining Committee)
Middle East Technical University
Department of International Relations ____________________

Assoc. Prof. Dr. Galip YALMAN (Supervisor)
Middle East Technical University
Department of Political Science and Public Administration ____________________

Prof. Dr. Ziya ÖNİŞ
Koç University
Department of International Relations ____________________

Assoc. Prof. Dr. Aylin TOPAL
Middle East Technical University
Department of Political Science and Public Administration ____________________

Assist. Prof. Dr. Esra Elif NARTOK
Karadeniz Technical University
Department of International Relations ____________________

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name, Last Name: Pınar KAHYA

Signature:

ABSTRACT

RETHINKING FINANCE AND STATE IN INDIAN ECONOMIC DEVELOPMENT: CONTINUITY OR TRANSFORMATION

KAHYA, Pınar
Ph.D., The Department of Political Science and Public Administration
Supervisor: Assoc. Prof. Dr. Galip YALMAN

September 2024, 200 pages

This thesis critically examines the transformation of India's economic and financial landscape during the 2010s, focusing on the process of financialization and its impact on the Indian state. It explores how India's financial system transitioned from a heavily regulated, bank-based model to a more market-oriented structure, highlighting the evolving role of the state. The study explores the peculiarities of India's financialization, including the gradual liberalization of the capital account, top-down financial inclusion policies, and the rising significance of non-banking financial companies (NBFCs). These elements illustrate the complex interplay between market forces and state interventions in shaping India's economic trajectory. This transition is epitomized by the replacement of the Planning Commission with the NITI Aayog, reflecting a strategic shift from a developmentalist to a finance-oriented approach in the form of the Indian state. The thesis also investigates the reconfiguration of development finance in the country prioritizing Public-Private Partnerships (PPPs) and the establishment of the National Bank for Financing Infrastructure and Development (NaBFID). The concept of a finance-diverted state is introduced to describe the new form of the state, where financial imperatives increasingly overshadow traditional developmental objectives in India.

Keywords: development, finance, state, India, finance-diverted state

ÖZ

HİNDİSTAN'IN EKONOMİK KALKINMASINDA FİNANS VE DEVLETİ YENİDEN DÜŞÜNMEK: SÜREKLİLİK YA DA DÖNÜŞÜM

KAHYA, Pınar
Doktora, Siyaset Bilimi ve Kamu Yönetimi Bölümü
Tez Yöneticisi: Doç. Dr. Galip YALMAN

Eylül 2024, 200 sayfa

Bu tez, 2010'lar boyunca Hindistan'ın ekonomik ve finansal yapısındaki dönüşümü, finansallaşma süreci ve bu sürecin Hindistan devleti üzerindeki etkisine odaklanarak eleştirel bir şekilde incelemektedir. Çalışma, Hindistan'ın finansal sisteminin banka temelli bir modelden piyasa temelli bir yapıya dönüşme sürecinde, devletin değişen müdahale biçimlerini tartışmaktadır. Hindistan'ın finansallaşma sürecinin kendine özgü yönleri olan, sermaye hesabının kademeli olarak serbestleştirilmesi, yukarıdan aşağıya uygulanan finansal içerilme politikaları ve banka dışı finansal kuruluşların artan önemi gibi unsurları inceleyerek, piyasa mekanizmaları ile devlet müdahaleleri arasındaki karmaşık etkileşimi ortaya koymaktadır. Bu geçiş süreci, kapatılan Planlama Komisyonu'nun yerine NITI Aayog'un kurulması ile somutlaşan, kalkınmacı devletin finans odaklı bir yapıya stratejik dönüşümünü içeren bir devlet biçimi değişikliği olarak değerlendirilmektedir. Ayrıca, Hindistan'da kalkınma için gerekli finansmanın, Ulusal Altyapı ve Kalkınma Finansmanı Bankası'nın kurulması ile Kamu-Özel Ortaklıklarına öncelik veren bir biçimde yeniden yapılandırılması irdelenmektedir. Bu bağlamda, bu tezde geliştirilen finans-yörüngesinde devlet kavramı, finansal önceliklerin geleneksel kalkınma hedeflerinin önüne geçtiği söz konusu yeni devlet biçimini tanımlamak için kullanılmaktadır.

Anahtar Kelimeler: kalkınma, finans, devlet, Hindistan, finans-yörüngesinde devlet

To my cat, Leon

ACKNOWLEDGMENTS

Curiosity and passion have been the driving forces of my temperament since childhood. This thesis began with a deep curiosity about India, a country that I had never studied or encountered in the Turkish academic discourse despite my background in political science and international relations. What started as a curiosity quickly evolved into a profound passion. However, this journey was far from easy. Developing a deep understanding of India's history and culture from a distance, especially during the pandemic, was challenging, but fortunately, it has come to fruition.

In 1937, the Turkish novelist Halide Edib wrote, "I felt India to be nearer to my Soul-Climate." I find myself echoing her words in 2024. I felt and was welcomed as a part of this Soul Climate. Perhaps it is inevitable to describe the Global South as a soul, a radically imagined transnational political subjectivity grounded in shared experiences of global capitalism.

I extend my deepest gratitude to my supervisor, Professor Galip Yalman, whose intellectual contributions have left a strong mark not only on me but also on the scholarly landscape of the political economy in the country. I would also like to thank the esteemed members of my thesis committee: Professors Ziya Öniş, Pınar Bedirhanoğlu, Aylin Topal, and Esra Elif Nartok, for their invaluable guidance and contributions. Each of their touches is felt in the thesis.

Special thanks go to the International Development Economics Associates (IDEAs); I am honoured to be part of the first batch (2022-2023) of the Advanced Certificate Programme on Research in Political Economy, where I have met great minds and lifelong friends. I also want to thank the organizers (The Institute for New Economic Thinking and Azim Premji University) and participants of the Advanced Graduate Workshop on Poverty, Development, and Globalization in Bengaluru. It may sound strange, but I want to thank Alexandra Elbakyan, too-without their commitment to an open and free Internet, I probably could not have accessed many critical resources (RIP Aaron Swartz).

The *Textum* journal and my dear friends in the collective mean too much to me; their intellectual and emotional support helped me immensely during challenging moments. My heartfelt thanks also go to my cat, Leon, who faithfully kept me company by napping on my notes and computer, and to my dear friends Ekin Emek, İlhan, and Ekmel in Türkiye, and Anuj and Balram in India.

This thesis represents a small step toward my lifelong goal of advancing South-South learning. Any shortcomings are mine alone.

TABLE OF CONTENTS

PLAGIARISM iii
ABSTRACT iv
ÖZ vi
DEDICATION viii
ACKNOWLEDGMENTS ix
TABLE OF CONTENTS xi
LIST OF TABLES xiii
LIST OF FIGURES xiv
LIST OF ABBREVIATIONS xvi
CHAPTERS
1. INTRODUCTION 1
  1.1. Framing the 2010s in India 8
2. THE POLITICAL ECONOMY OF THE STATE IN INDIA: FROM DEVELOPMENTAL TO NEOLIBERAL DEVELOPMENTAL (IST) STATE 14
  2.1 Introduction 14
  2.2. The State Debate in India 20
  2.3. The Developmental State 30
    2.3.1. Formation of the Developmental State Through Planned Economy 35
    2.3.2. Capitalist Accumulation under Socialist Rhetoric 45
  2.4. Neoliberal Developmental(ist) State 51
    2.4.1. Neoliberal Developmental State under the UPA (2004-2014) 64
    2.4.2. Neoliberal Developmental Model of Gujarat 66
  2.5. Concluding the Transition: From Developmental State (DS) to Neoliberal Developmental(ist) State (NDS) 67
3. FORMS AND CONTENTS OF FINANCIALIZATION IN INDIA 69
  3.1. Introduction 69
    3.1.1. A Glance at Financialization 72
    3.1.2. A Glance at the Financial System in India 75

3.2. The Transformation of the State-Finance Nexus: Issues in the 2010s 82
3.2.1. Capital Account Liberalization 87
3.2.2. Non-Banking Financial Activities (Shadow Banking) and IL&FS Crisis 88
3.3. Financial Inclusion 91
3.3.1. Demonetization 92
3.3.2. Pradhan Mantri Jan Dhan Yojana (PMJDY) 93
3.4. Concluding the Process of Making 94
4. FINANCIALIZATION OF THE NEOLIBERAL DEVELOPMENTAL STATE: FINANCE-DIVERTED STATE IN INDIA 96
4.1. Introduction 96
4.1.1. A Glance at State Financialization 99
4.2. "Transforming India's Development Agenda": From the Planning Commission to the NITI Aayog 102
4.2.1. The NITI Aayog's development agenda 104
4.2.2. Asset Monetization 107
4.2.3. The appraisal of PPPs 111
4.3. Transforming Development Finance: From DFIs to PPPs and the Birth of the NaBFID 112
4.3.1. DFIs in India: DFI is dead, long live DFI 118
4.3.1.1. The First and the Second Wave of DFIs in India 119
4.3.1.2. The Third Wave of DFIs: The NaBFID 124
4.3.2. PPPs in India 128
4.4. Conclusion 139
5. CONCLUSION 141
REFERENCES 152
APPENDICES
A. CURRICULUM VITAE 179
B. TURKISH SUMMARY / TÜRKÇE ÖZET 181
C. THESIS PERMISSION FORM / TEZ İZİN FORMU 200

LIST OF TABLES

Table 2. 1. The main pillars of “development” strategies in the Global South.......... 53
Table 2. 2. The troughs of the GDP growth rate... 55
Table 2. 3. The 1991 neoliberal measurements 58
Table 3. 1. Literature Mapping on Financialization.. 74
Table 4. 1. Policies and Reforms in 2014-2022 (selected mainly Infrastructure & Monetization) 106
Table 4. 2. DFIs in the World.. 119
Table 4. 3. DFIs in India (Union Level).. 120
Table 4. 4. The periodisation of neoliberal PPPs mantra 129
Table 4. 5. Initiatives to encourage PPP arrangements 135
Table 4. 6. India Infrastructure Finance Company Limited (IIFCL) Schemes 137

LIST OF FIGURES

Figure 2. 1. History of Lending Commitments of India 50
Figure 2. 2. India GDP Annual Growth Rate (1952-2005) 55
Figure 2. 3. India Foreign Direct Investment 1960-2024 60
Figure 2. 4. Share in Gross Value Added 62
Figure 2. 5. Sector Wise Employment 63
Figure 3. 1. Banks in India 78
Figure 3. 2. Liquid Liabilities to GDP for India 79
Figure 3. 3. The Total Financial Assets 80
Figure 3. 4. Corporate Bond Issuance and Subscription from April 2023 to March 2024 81
Figure 3. 5. Market penetration of banks in India according to ownership 82
Figure 3. 6. The events and their impacts on credit growth and real GDP growth in India 84
Figure 3. 7. The composition of external debt in 2023 85
Figure 3. 8. The international-domestic events and financial conditions in India 87
Figure 3. 9. Non-Financial Corporates - Debt-Equity and Debt-to-GDP Ratios 90
Figure 3. 10. Financial Inclusion Index in India 94
Figure 4. 1. Asset monetization structure 108
Figure 4. 2. Sources of financing for NIP 110
Figure 4. 3. Asset Monetization Models 110
Figure 4. 4. Three financialization processes by development policies 117
Figure 4. 5. Infrastructure investment at current trends and need 124
Figure 4. 6. Infrastructure investment at current trends for each sector 124
Figure 4. 7. Year-wise Details of the Investment in Infrastructure Projects from 2018-19 to 2022-23 132
Figure 4. 8. Year-wise Details of the Investment in Infrastructure Projects from 2018-19 to 2022-23 132
Figure 4. 9. Port, Rail and Road Infrastructure Gaps 133

Figure 4. 10. Projects Recommended By The Public-Private Partnership Appraisal Committee (PPPAC) 133
Figure 4. 11. Sector-wise summary of PPPAC 133
Figure 4. 12. Distribution of PPPs in India in 2022 134
Figure 4. 13. "Schematic correlation of a Public-Private Partnership project" 135
Figure 4. 14. Sources of Financing for Infrastructure Projects (Global) in 2023 138
Figure 5. 1. Historical trajectory of forms of the state in India 146

LIST OF ABBREVIATIONS

BJP	Bharatiya Janata Party
DFI	Development Financial Institution
GFC	Global Financial Crisis
IDBI	Industrial Development Bank of India
IFC	International Finance Corporation
IL & FS	Infrastructure Leasing & Financial Services Lmt.
NaBFID	National Bank for Financing Infrastructure and Development
NBFCs	Non-banking Financial Corporations
NDA	National Democratic Alliance
NFCs	Non-financial Corporations
NPAs	Non-performing Assets
PPPs	Public-Private Partnerships
PPPAC	Public-Private Partnership Appraisal Committee
PMJDY	Pradhan Mantri Jan Dhan Yojana
RBI	Reserve Bank of India
UPA	United Progressive Alliance

CHAPTER 1

INTRODUCTION

> H*owever, one central question perhaps would continually haunt the future researcher of the Indian state. As the state is being projected as the villain, a necessary evil, by conservatives as well as radicals, by advocates of reforms and civil society activists, what is the future of the Indian state, at least in the world of scholars? Is it possible really to deny its overwhelming presence, its overarching role in the Indian polity? Is it possible for the market and the NGOs to emerge as substitutes of the state in future?*
> (Gupta, 2013)

In recent decades, India's gross domestic product (GDP) growth has positioned the country as one of the fastest-growing major economies globally. Despite the challenges posed by the COVID-19 pandemic, India's GDP grew by 7% in the fiscal year of 2022-23, driven by increased consumer spending, infrastructure investments, and a digital economy. When adjusted for purchasing power parity (PPP), India ranks as the world's third-largest economy, following the United States and China. The country's growth rate in PPP terms outpaces the global average; this growth trajectory underscores India's pivotal role in the global economy, contributing significantly to overall global economic growth. From this perspective, the Indian economy is one of the "success stories" in the developing world. Unlike other success stories (East Asian miracles and recovery from Asian Crises), India's success story has not experienced significant financial crises. However, upon closer examination of this phenomenon, the growth trajectory of India has been associated with the domestic credit boom and the international capital flows in the form of Foreign Direct Investments (FDIs) and Foreign Portfolio Investments (FPIs) for infrastructural investments since the early 2000s. On the other side of this growth story are issues related to agrarian distress, unemployment, and increasing inequalities, with 42.86 per cent of the labour force still engaged in agriculture, according to official data from 2022. Despite a decreasing trend, employment in the agricultural sector remains significant in India. In addition to all these dynamics, the change in political power in the country in 2014, coupled with the Hindu nationalist background of the ruling party, has sparked a debate that positions the new prime minister's rhetoric within a broader discussion of India's democratic backsliding and(or) authoritarianism on the global stage.

In this context, the Indian political economy acts like a magnet for political economy researchers who understand "market relations as political constructions", a perspective that contrasts with mainstream economics (Clift, 2021, p.4). Mainstream economics typically assumes individuals are "rational actors" and markets are efficient and competitive, thereby neglecting "social, historical, and political contexts from the analysis" (Clift, 2021, p.3). Major political-economic transformations in India are examined in the literature, comparatively or within the context of India's uniqueness, from different political economy perspectives.

The primary motivation of this study was to engage in these contemporary discussions about the "new India"[1], notably the debates on the transformation taking place in the country as an emerging developing economy that has regional and global aspirations. On one side of the new India debates stand the growth-centred analyses of mainstream economics, while on the other side, there are studies in comparative politics focusing on authoritarianism, populism, and Hindu nationalism. Under these central themes, discussions about the state in India are being carried out regarding the nature of the recent regime. This thesis seeks to demonstrate that the contemporary change in India is not merely a political-ideological shift in politics or a transformation linked solely to economic growth indicators; instead, it is a state restructuring process which is related to multifaceted and multiscale dynamics in the international and domestic political economy in the broadest term.

[1] The term "New India" is a prevalent and engaging phrase often used in contemporary academic discourse. For instance, Panagariya, A. (2020). *New India: Reclaiming the lost glory*. Oxford University Press; D'Costa, A. P. (2010) (Ed.). *A new India?: Critical reflections in the long twentieth century*. Anthem Press.

From a critical political economy perspective, global capitalism consists of a stratified unity of social formations characterized by differentiated accumulation regimes and modes of regulation with historically distinct features. Although the fundamental contradictions within capitalist relations of production persist, the structure and organization of social formations continue to evolve. The distinct accumulation regimes are shaped and transformed within the domestic sphere under the influence of the general conjuncture generated by the world economy, as there is a significant amount of literature that categorizes different social formations "relatively" to advanced capitalism in Asia, Africa, and Latin America, i.e., in the Global South.

For a thorough analysis of different social formations from a critical political economy perspective, it is crucial to establish a connection between the economic-social sphere and the political-state sphere. This approach addresses questions regarding the specific nature of state structures, as suggested by Nicos Poulantzas (1980b, p. 602). States and markets are empirically and analytically inseparable in any social formation (Clift, 2021, p. 151). The empirical findings of this thesis necessitate a theory-laden analysis of the Indian state, which is informed by Poulantzas' inquiry into the theoretical framework for understanding state intervention in the economy. This leads to a deeper analysis of "the actual form of the state" (Poulantzas, 1980b, p. 602, 604). In other words, examining particular social formations, especially within a specific *state project* -coined as an operational intermediate concept to avoid over-generalizations- it is considered that the form of the state is inherently a question of the balance of social forces without necessarily implying a predetermined outcome. Analysing state projects does not possess a strictly functional or instrumental role to states. Instead, the analysis is conducted by considering the configuration of external (global conjuncture) and internal dynamics (social relations of production).

In analysing Poulantzas' approach to the state, Bob Jessop highlights an essential aspect of this approach. In the Poulantzasian framework, analysing political periods or conjunctures, "three interrelated moments" must be studied: i) the "state's historical or formal constitution" as a complex institutional structure with "strategic selectivity", ii) the "organization and strategies of political forces" in specific conjunctures, including their response to the "strategic selectivity" inscribed in the state apparatus and iii) the "interaction of these forces" on the strategically selective terrain as they "pursue immediate goals" or aim to "alter the balance of forces" and/or "transform the state".[2] In other words, "form-analytical historical analyses" focus on the "agency-mediated reproduction or transformation" of capital relations and explain the form of the state by exploring "past struggles" and whether it is "reproduced or transformed through struggle".[3] The balance of forces is not fixed but modified by "shifts in strategic-relational terrain" (state, economy, social formation).[4] The thesis aims to frame state debate in India by focusing on the country's changing modes of state intervention.

The thesis seeks to analyse the recent form of the Indian state by moving away from single-causal and partial determinisms regarding the role of the state with the (un)necessity or degree(s) of state intervention/a failure or a success story of market reforms or its "capacity" as an actor in the capital accumulation process. Instead, it makes a process-tracing analysis of the state in India from Independence to the present. The state formation process of India coincided with planned and heavy industrialization development objectives under the developmental state form until the 1980s. Third-world industrialization paradigm and particular political-economic configurations framed the Indian experience, such as the domination of the Indian National Congress (the Congress) as a political ruling party. The following period, initial liberalization attempts in the 1980s and the neoliberal policies in the 1990s, were the years of restructuring the Indian state institutions, policies, and the state project that changed under the neoliberal paradigm. The period was marked by the transformation of the state's modes of economic intervention, the steady decline of the Congress party, and the rise of national-level coalition politics, where smaller parties increasingly found themselves holding disproportionate power (Crowley,

[2] Jessop, B. (2014, March 27). *Poulantzas's State, Power, Socialism as a Modern Classic*. Bob Jessop. https://bobjessop.wordpress.com/2014/03/27/poulantzass-state-power-socialism-as-a-modern-classic/

[3] Ibid.

[4] Ibid.

2014). In the 2010s, the Indian state continued to restructure, this time under the pressures of financialization- a process rooted in the earlier neoliberal financial deregulation and globalization policies. The national-level coalition politics has sustained its place. However, a different party, the Bharatiya Janata Party (BJP), a significant political opponent of the Congress, became a ruling party in the 2010s. The federal governance structure in India, particularly in the period following neoliberal reforms, has allowed for a degree of flexibility in how states adapt to the central government's overarching state project.

It is significant to underline that the empirical focus of the thesis is mainly on "development" policies in the 2010s. The reason for the development aspect of the Indian state is its *essentia* from Independence to the present due to its relative (to advanced capitalism) and the "partial" (capitalist) nature of developing a democratic social form. In other words, the form of the Indian state cannot be assessed without its developmental objectives that prioritize the "catching up"/ the "convergence" (mainly signifying economic indicators) parameters due to its social formation as a latecomer of industrial capitalism. Considering the international conjuncture and domestic dynamics together, the contemporary state project in India is transforming within the global context of financialization. The aim is to contribute to the research on the political economy of India by focusing on the transformation of the state-finance nexus in the 2010s.

In the process of Indian economic development, continuity highlights the enduring structures, policies, and historical legacies that continue to influence India's economic trajectory. These persistent elements provide a reference point for understanding how past decisions and frameworks still impact present-day economic governance. On the other hand, transformation underscores the shifts and changes that have redefined the relationship between finance and the state, especially in the context of globalization, liberalization, and financialization. By examining both continuity and transformation, this analysis aims to offer a comprehensive understanding of how economic development in India is navigated, balancing the legacy of its post-independence state formation with the demands of a rapidly changing global financial environment. This dual focus allows for a deeper exploration of whether India's economic trajectory represents a continuation of its historical path or a departure towards "new" paradigms, thus providing crucial insights into the broader discourse on development, state, and finance in the Global South.

In the country's historical trajectory since Independence, the form of the Indian state has changed from a developmental state to a neoliberal developmental state. It will be contended that the recent changes in the state-finance nexus have led to the evolution of a new form of the state with its finance-driven strategic selectivities. Within this framework, the research questions of the thesis are as follows:

- Why should financialization be used to understand India's transformation in the 2010s?
- What are the peculiar aspects of India's financialization?
- How has the governing development body of the central Indian state recently transformed from a developmentalist structure to a finance-oriented structure?
- How has the form of development finance changed in India?
- How do all these transformations speak to the change in the form of the Indian state?

This thesis aims to critically analyse <u>the changing form of the Indian state</u> within the paradigm of financialization. This phenomenon has emerged as a pivotal explanation within the global political-economic framework in recent years. The state-finance nexus in financialization studies has been a nascent sub-research agenda characterized by a dearth of theoretical contributions alongside a limited number of empirically grounded case studies. Thus, evaluating why financialization is a suitable framework for understanding India's economic transformation in the 2010s, identifying and analysing the unique aspects of financialization in the Indian context, and investigating the transformation of the central Indian state form from a developmentalist to a finance-oriented structure by examining the changes in the form and function of governance of development and development finance are primary objectives in this research.

Financialization, a process that began in major capitalist economies, has gradually permeated emerging and developing economies in the Global South, albeit through distinct mechanisms and trajectories. In these regions, financialization often manifests differently compared to its origins, shaped by domestic economic structures, political dynamics, and historical contexts. For instance, in South Africa, financialization has intensified inequalities, as financial markets increasingly dominate economic decision-making, reinforcing the legacy of apartheid-era disparities (Karwowski, 2021). Countries like Brazil, Argentina, and Turkey have experienced financialization through the liberalization of capital and exchange markets, high interest rates, in addition to exchange rate movements from international investors, creating fragile and volatile economic conditions (Kaltenbrunner & Painceira, 2015; Lampa et al., 2022; Akçay & Güngen, 2022). East Asia, particularly in countries like South Korea and Malaysia, has witnessed financialization through the rapid expansion of stock markets (Rethel, 2011). The thesis aims to confine the peculiarity of financialization in India in the peculiar form of the state-finance nexus in the country and, by doing so, seeks to contribute to a comparative analysis of financialization in the Global South.

In the academic literature, comparing China and India is a prevalent research agenda stemming from similarities of these countries in terms of their market size and population and rapid economic growth trajectories in the recent era. While both countries have liberalized their economies and opened to foreign investment, social formations in general and state forms in particular are conditioned by different historical conditions. Since gaining independence, India, as a former colony, has operated within a democratic political framework, with state intervention in the economy taking different forms over time. However, there have been some rhetorical arguments for socialism. The Indian economic development experience resembles late capitalist countries' experiences in the Global South. Thus, throughout the thesis, the Indian experience is framed within the political economy of late capitalism.

1.1. Framing the 2010s in India

In 2014, when the Hindu nationalist Bharatiya Janata Party (the BJP now on) *Indian People's Party,* led by Narendra Modi, came to power alone by capturing a parliamentary majority, India began to be portrayed both in the media and in academia as one of the authoritarian regimes in the world. Although the roots of Hindu nationalism trace back to the 19th century, it was the first time in the history of India that the BJP had such a superiority in the executive over the founding Congress Party, except for short-term (the BJP-led National Democratic Alliance government in between 1998-2004) and some state-level ruling practices in India. Indian politics has started to be characterized by *majoritarian democracy*[5][6], *right-wing populism*[7][8], *new nationalism*[9], *illiberal democracy*[10], *authoritarian populism*[11], *competitive authoritarianism,* and *ethnic democracy*[12]. This framing has emerged due to various factors, including the BJP's Hindu nationalist roots[13], anti-secular and anti-Muslim discourse, as well as Narendra Modi's political discourse, tactics, and

---

[5] Chatterji, A. P. & Hansen, T. B. & Jaffrelot, C. (2019). Majoritarian state: How Hindu nationalism is changing India. Hurst and Company.

[6] Barkey, K. & Kaviraj, S. & Naresh, V. (2021). Negotiating democracy and religious pluralism India, Pakistan, and Turkey. Oxford University Press.

[7] McDonnell, D. & Cabrera, L. (2019). The right-wing populism of India's Bharatiya Janata Party (and why comparativists should care). *Democratization*, *26*(3), 484-501.

[8] Hasan, Z. (2020). Majoritarianism and the future of India's democracy. *Social Scientist*, *48*(1/2), 3-16.

[9] Acemoglu, D. (2022, June 8). Understanding the new nationalism. Project Syndicate. https://www.project-syndicate.org/commentary/new-nationalism-three-factors-reaction-to-globalization-by-daron-acemoglu-2022-06?barrier=accesspaylog .

[10] Luce, E. (2019, November 11). India's journey to illiberal democracy. Financial Times. https://www.ft.com/content/331677bc-03c5-11ea-9afa-d9e2401fa7ca .

[11] Transnational Institute. (2022, February 17). Populism, authoritarianism and agrarian struggles: Agrarian Conversations episode 3[Video]. YouTube. https://www.youtube.com/watch?v=fMylNVJ4XUk .

[12] Jaffrelot, C. (2021). Modi's India: The rise of ethnic democracy. Princeton University Press.

[13] Bharatiya Janata Party (BJP, constituted in 1980) is a right-wing, Hindu nationalist political party under the banner of the Rashtriya Swayamsevak Sangh (RSS). As a "political-ideological construct", Hindu nationalism- "homogenization of Hindus"- assumes that the glorious Indian past/ the golden era of Hindu(s) was interrupted by the Islamic rule (the Mughal Empire). Chakrabarty, B. & Jha, B.K. (2020). Hindu nationalism in India: Ideology and politics. Routledge.

strategy.[14] Additionally, regardless of whether it is welcomed or criticized, the Modi regime[15] is notably distinguished by its pro-business agenda[16] that shifts the power of business from "veto power" to "agenda-setting" power[17] by some scholars. Within this frame, it is underlined that the Indian state is utterly becoming anti-democratic under the process of democratic backsliding due to the diminishing rule of law, the loss of equal citizenship, the undermining of checks and balances, and the weakening of democratic accountability.[18] To put it differently, the Indian state has transformed from a liberal constitutional identity[19] to an "ethnic state," an "absolute state," and an "opaque state" (ibid.)[20] for this terrain of the literature.

Political economy studies have enhanced the research agenda on the state in India in the 2010s. For instance, Pranab Bardhan highlighted the ineffectiveness of governance, higher unemployment rates, the general weakening of labour's bargaining power, and persistent inequality, characterising all these parameters under *crony-oligarchic capitalism*.[21] Under crony capitalism, state promotions are

---

[14] Kaul, N. (2017). Rise of the political right in India: Hindutva-development mix, Modi, myth and dualities. *Journal of Labor and Society*, *20*(4), 523-548.

[15] In 2012, TIME magazine featured Indian Prime Minister Narendra Modi on its cover for the first time, presenting him as the leader of the Hindu nationalist Bharatiya Janata Party (BJP) with the title "Modi means business, but can he lead India". By 2014, Modi had answered TIME's question affirmatively, leading the BJP to victory in the elections. However, in a twist of fate, when the calendars flipped to 2019, Modi appeared on the cover again, this time as "India's divider in chief". Journalist Aatish Taseer, in the cover story, likened India to other populist democracies like Turkey, Brazil, Britain, and the US. TIME, which had once endorsed Gujarat as "India's most industrialized and business-friendly territory" in 2012, questioned Modi's leadership in 2021 with a cover story titled "India in Crisis". This time, the cover featured a crematorium, symbolizing India's despair over the high rates of COVID-19-related deaths. Journalist Rona Ayyub asked, "How Modi failed us?" on the magazine's pages.

[16] Murali, K. (2017). Caste, class, and capital: The social and political origins of economic policy in India. Cambridge University Press.

[17] Jaffrelot, C. & Kohli, A. & Murali, K. (2019). Business and politics in India. Oxford University Press.

[18] Khosla, M., & Vaishnav, M. (2021). The three faces of the Indian state. *Journal of Democracy*, *32*(1), 111-125.

[19] Chakrabarty, B. (2019). India's constitutional identity: Ideological beliefs and preferences. Routledge.

[20] Khosla, M., & Vaishnav, M. (2021). The three faces of the Indian state. *Journal of Democracy*, *32*(1), 111-125.

[21] Bardhan, P. (2022). The 'new' India: A political-economic diagnosis. *New Left Review, 136.*

delegated in line with “seniority” rather than “performance”; thus, the poor performance of incentives weakens state capacity in the recent era. The oligarchic side of the story is related to the domination of big conglomerates in sectors such as telecoms, airlines, steel, cement, aluminium, synthetic fibres, cars, trucks, and consumer electronics, mainly operating in “non-traded” and(or) “highly regulated sectors”.[22] Aseema Sinha’s analysis of the *porous state* (“developmental and predatory”) resembles studies[23] focusing on the nature of parasitic conglomerate-politician relations.[24] This literature focuses on judicial-political aspects and apparent strong ties between politics and business snapshot changes in the 2010s. Nonetheless, reconsidering the change in the state form of India is crucial to grasping continuities and changes in the Indian experience.

From the critical political economy perspective, “authoritarianism” is not solely about coercive practises but is also related to “the reconfiguring of state and institutional power to insulate specific policies and institutional practices from social and political dissent”.[25] The perspective has highlighted how market-driven policies are enforced through centralized, coercive state power, often resulting in the suppression of dissent and the erosion of democratic institutions since the 1980s. Following these contributions, this thesis seeks to broaden the framing of India’s political economy in the 2010s by bringing neoliberalism and neoliberal restructuring of the Indian state back into the debate. However, taking it a step further, this study aims to understand the 2010s as a distinctive phase of transformation shaped by financial parameters within the context of neoliberal restructuring. As a global tendency, the financialization process is “not a state or end result but an action, something that is made”[26]. While the prevalent notion within critical examinations of

[22] Ibid.

[23] Chatterjee, E. (2023). India’s oligarchic state capitalism. *Current History*, *122*(843), 123-130.

[24] Sinha, A. (2019). India’s porous state. In C. Jaffrelot, A. Kohli, & K. Murali, (Eds.) *Business and politics in India* (pp. 50-87). Oxford University Press.

[25] Bruff, I. (2014). The rise of authoritarian neoliberalism. *Rethinking Marxism*, 26(1), 113-129.

[26] Aalbers, M.B. (2019) Financialization. In D. Richardson, N. Castree, M.F. Goodchild, A.L. Kobayashi and R. Marston (Eds*) The international encyclopaedia of geography: People, the earth, environment, and technology*. Wiley.

neoliberal globalization often presumes that the dominance of finance comes at the "expense" of the state, it is significant to recognize that the transformation of the state and the process of financialization are inherently intertwined and mutually influential.[27] A study focusing on the forms of state intervention in the economy and how it is implemented can complement the literature on the political economy of India in the 2010s, which continues to be enriched with various contributions.

Analyzing the contemporary restructuring of the Indian state under financial imperatives, the structure of the thesis chapters is as follows:

The second chapter contributes to state debate in India. After providing a brief review of the different perspectives in this regard, it purports to put forward a historical interpretation of the formation of the Independent Indian state as a developmental state and explores its transformation to a neoliberal developmental state. Firstly, the strategic selectivities of the developmental state, import-substitutive heavy industrialization, central planning, and political-economic challenges of the state project are examined. Following this, the transition to a neoliberal developmentalist state and institutional, international, and domestic parameters and dynamics are discussed under the liberalization, globalization and privation policies rubric. The specific attention to the early 2000s at the central and Gujarat state levels is made to show consistency in the form of the state in the 2010s.

The third chapter serves as an intermediary, paving the way for a discussion on the current form of the Indian state. It discusses financialization in India within the macro framework axis that amplifies the trajectory of Indian capitalism. The chapter analyses the financial system in India and elaborates on the transformation of the state-finance nexus in the 2010s. The capital account liberalization process, the determinative role of non-bank financial institutions in the financial system (shadow banking), top-down financial inclusion programmes of demonetization and the Pradhan Mantri Jan-Dhan Yojana scheme are discussed as the peculiarities of the Indian financialization process. The gradual transformation of the financial landscape through capital account liberalization is examined alongside the swift and sharp

[27] Ibid.

implementation of financial inclusion policies. Additionally, the IL&FS crisis is analysed as a concerning indicator of the risks associated with shadow banking activities in the financialization era.

The fourth chapter explores how the state project of development has transformed due to the changing strategic selectivities of the state by amplifying significant economic growth dynamics in the Indian economy, finance, and infrastructure in the 2010s. The institutional configuration of development and development finance policy has undergone substantive structural transformations in contemporary India. The examination lies in the abolishment of the Planning Commission, the establishment of the NITI Aayog, and the proliferation of Public Private Partnership (PPPs) and the establishment of the National Bank for Financing Infrastructure and Development (NABFID) to the detriment of traditional Development Financial Institutions (DFIs). The abolishment of the Planning Commission and the establishment of the NITI Aayog are discussed as levelling the playing field in development policies. The NITI Aayog's development agenda, the NITI Aayog's role in asset monetization and the appraisal process of PPPs are evaluated. The qualitative transformation of development finance is examined with a focus on the Development Financial Institutions (DFIs) and Public Private Partnerships (PPPs) and the establishment of the National Bank for Financing Infrastructure and Development (NABFID). The changes in the governance of development and development finance transcend mere policy prerogatives of the recent governments; instead, they represent *strategic selectivities* of the Indian state within the overarching framework of financialization. The strategic selectivity of the state in the 2010s can be summarised under three pillars: firstly, the policy recommendations and implementations put forth by the NITI Aayog, functioning as a highly prestigious technocratic think tank rather than a governmental political body endorsing finance-led accumulation. Secondly, Public-Private Partnerships (PPPs) have emerged as the preeminent mode of financing infrastructure development- a practice commonly recognized as derisking in financial contexts that promotes private sector participation and leveraging financial markets. The establishment of the NABFID as a new DFI maintains infrastructure/finance-oriented development policies.

The last chapter discusses how all these transformations illustrate the recent change in the form of the Indian state from a developmental state to a neoliberal developmental state and a finance-diverted state.

Although the thesis is qualitative research centred on process tracing, my observations, discussions, and familiarity during my time in India significantly shaped its framework. I am grateful for what I learned from individual conversations, workshops, and conferences with researchers at the International Development Economics Associates (IDEAs) based in Delhi, the Centre for Economic Studies and Planning (CESP) within the School of Social Sciences at Jawaharlal Nehru University, the Delhi School of Economics, and Azim Premji University in Bengaluru. Experts from different fields and varying perspectives provided me with valuable knowledge, enriching the framework of this research. During my travels from Mumbai to Bengaluru, from Bengaluru to Delhi, and from Delhi to Jaipur, I also had the opportunity to experience the infrastructural investments, particularly in roads and airports. In addition to first-hand knowledge, government reports, statements, and official data from respected institutions are gathered and used in the research. I mainly used the library of the Delhi School of Economics.

The thesis confines its scope to address the inquiry of *how* the institutions of the central Indian state have shifted from a developmental structure to a finance-oriented structure in recent times. The inquiry of *why* necessitates a different levelling of abstraction by considering the detailed analysis of social forces. Instead, the thesis explores the transformation of both the scale and methods of state intervention within the context of financial imperatives and their impact on developmental motives. It is noteworthy to acknowledge that while the primary focus of this thesis is analysing the transformation within the form of the Indian state in the 2010s, it simultaneously serves a broader objective. Specifically, this thesis aspires to function as a catalyst for theory-laden contributions, recognizing the state as a nuanced phenomenon requiring comprehensive evaluation rather than being a simplistic explanation for all things good or evil in India.

CHAPTER 2

THE POLITICAL ECONOMY OF THE STATE IN INDIA: FROM DEVELOPMENTAL TO NEOLIBERAL DEVELOPMENTAL (IST) STATE

2.1 Introduction

India, spanning the long colonial period under British rule, the challenging struggle for independence, and the subsequent era as an independent nation, has consistently been under attention. Jagdish Bhagwati is not wrong when he states that this state of being in focus, one way or another, is that the economist is attracted to India with a passion similar to that of the fly for honey and the digger for the gold. With a bit of addition to his sentence, it is indeed "honey attracts flies; gold attracts diggers; and India attracts (political) economists" (Bhagwati, 1993, p.9).

In 1853, Marx wrote in the *New York Daily Tribune*, articulating England's dual mission in India: one destructive, aimed at annihilating the old Asiatic society, and the other regenerating, focused on establishing the material foundations of Western society in Asia (Marx, 1853a). In another analysis within the same newspaper concerning this "mission", he poses a crucial question: "England, it is true, in causing a social revolution in Hindostan, was actuated only by the vilest interests and was stupid in her manner of enforcing them. But that is not the question. The question is, can mankind fulfill its destiny without a fundamental revolution in the social state of Asia? If not, whatever may have been the crimes of England, she was the unconscious tool of history in bringing about that revolution" (Marx, 1853b).[28] Fourteen years after the publication of Capital, Volume I, and twenty-eight years after the mentioned newspaper articles (in 1881), Marx, in a letter to Nikolai

[28] For Edward Said's culturalist critique of Marx as orientalist, Said, E. (1978). *Orientalism*. Routledge. For the critique of Said, Ahmad, A. (1992). *In Theory: Classes, Nations, Literatures*. Verso. For a competent analysis of the debate, see Anderson, K. B. (2010). *Marx at the Margins: on Nationalism, Ethnicity and Non-Western Societies.* The University Chicago Press.

Danielson, describes the unfolding events in India as a vengeful bleeding process in reference to the exploitation of India by the British government.

> In *India* serious complications, if not a general outbreak, is in store for the British government. What the English take from them annually in the form of rent, dividends for railways useless to the Hindus; pensions for military and civil service men, for Afghanistan and other wars, etc., etc. – what they take from them *without any equivalent* and quite apart from what they appropriate to themselves annually *within* India, speaking only of the *value of the commodities* the Indians have gratuitously and annually to *send over* to England – it amounts to *more than the total sum of income of the sixty millions of agricultural and industrial labourers of India!* This is a bleeding process, with a vengeance! The famine years are pressing each other and in dimensions till now not yet suspected in Europe! (Marx, 1881).

The period from the 15th century until decolonization not only signifies a shameful chapter in human history marked by exploitation but is also intricately linked with intense debates on the emergence of modern capitalism and the resulting consolidated unequal international exchange relations in the world market. It is considerable to examine this subject through the lens of Marx, underscoring *the ambivalence or dilemma* inherent in these discussions. While acknowledging what is going on the ground as in dual nature- positive or negative, emphasizing the dualities of outcomes.

In the broadest sense, as Terence J. Byres argued, “colonialism extended domestic primitive accumulation in two ways: first, colonial profits, remitted to the metropolis, by augmenting domestic agricultural and industrial profits; and second, colonial markets, by significantly contributing to the metropolitan home market, critically supported capitalist industrialization, enabling far higher rates of domestic capital formation than would otherwise have prevailed” (Byres, 2005, p.84). While acknowledging the need to reserve in-depth discussions on the political, economic, cultural, and social remnants of the colonial period in India- topics often covered in highly intense literature- for research specifically dedicated to those aspects, it is beneficial to highlight certain points in a broader context of India’s contemporary political economy.[29]

[29] The history of pre-modern and modern India has generated a diverse and substantial amount of literature. The following studies serve as primary reference guides:
For the transition from colonial rule to Independent India:
-Chandra, B. (2009). *History of modern India*. Orient Black Swan.

British colonial rule had a significant impact on India's traditional economy, which was characterized by self-sufficient village economies. This economy was organized by the caste system and a village-level division of labour, which was largely dominated by non-market production and allocation of goods and services.[30] Additionally, there was a unity of agriculture and industry that had previously protected these economies from the corrosive impact of trade (Bhattacharya, 2010, p. 173). Protective tariffs in Britain allowed capitalist industries to develop, while free imports of British manufactured goods undermined Indian industries. As a result, India became a raw material supplier and manufactured products importer in colonial trade (ibid., p.174). Colonial rule also affected the social class structure in urban areas, and the urban craft industry was dissolved (Bhattacharya, 1972, as cited in Bhattacharya, 2020). This process was the deindustrialization of India at the expense of British industrialization (Bagchi, 1976).

Within the colonies, the peasant and artisan populations responsible for producing increasing exports received payment in the form of domestic currency, which was sourced from tax revenues that they were obligated to remit to the state (Patnaik, 2012, p. 173). In other words, the taxation of the peasantry in India was directed to the export of primary exports. The whole process of dispossession and deindustrialization of India under colonial rule created a surplus population, which was not absorbed in the process of primitive accumulation and later accumulation (Bhattacharya, 2010). As a historical trajectory, the transition to capitalism in Britain and class transformations in India and Britain are processes that cannot be considered apart (Mukherjee, 2010). In the process of transition to capitalism, the surplus population of England turned to a reserve army of labour or migrated overseas,

-Chandra, B. et all. (1989). *India's struggle for independence 1857–1947*. Penguin.
-Habib, I. (1975). Colonization of the Indian economy, 1757-1900. *Social Scientist*, *32* (3), 23-53.
For the pre-modern history of India:
-Thapar, R. (1990). *A history of India*. Penguin.

[30] The land system in India from Ancient to the present is a densely debated issue. Ancient and Colonial India displays a complicated network of land relations that include private ownership, royal administration, and village community rule. I'm portraying the most general form of relations at the expense of underestimating the power and validity of other forms. British public servant Baden Henry Baden-Powell's books of *The land-systems of British India (1892), The Indian village community (1896), The origin and growth of village communities in India (1899)* and E. Washburn Hopkins' article of Land Tenure in Ancient India in *Political Science Quarterly*, (13: 4, 1898, pp. 669-686) shows 19th-century debates on the issue.

whereas India's so-called surplus population is still a part of a question of India's informal economy in addition to other questions which are related to her colonial historical past.

The capitalist market that can absorb the population of India will no longer be possible; hence, the problem of unemployment "is endemic to capitalist production driven by technical change" (Patnaik, 2012, p.170). In the colonial period, India, one of the main agricultural commodity producers of the world market, was articulated via "unilateral transfers, not normal trade" into the world market (ibid.). In other words, not only colonial India's economy was "reorganized to serve Britain's trading needs on a global stage" (Corbridge et al., 2013, p. 7), but also Indian peasantry was exploited via direct taxation by the British government.

Another important node remaining from the colonial period and even earlier periods is the land ownership structure and the impact of problems related to its resolution and transformation on agricultural production. Under British rule, Zamindari, Ryotwari, and Mahalwari systems created different taxation models in addition to different types of local power relations in terms of land (Kapur & Kim, 2006). The Zamindari system, which is known as the Permanent Settlement System, was implemented in Bengal, Bihar, Orissa and Varanasi. Zamindars became the owners of the land, and peasants became tenants. The Zamindari system led to the concentration of landownership in the hands of a few wealthy zamindars, while the actual producers often faced exploitation and landlessness. Ryotwari was introduced in South India, including Madras, Bombay, and parts of Assam. Peasants were direct owners of the land, and taxes were collected directly from them. In the Mahalwari system, the land was divided into Mahals, which were villages or a couple of villages. The tax was collected through the village headman as a recognized intermediary. In Independent India, land reforms were initiated to address the historical injustices and inequities created by these colonial land revenue systems by abolishing zamindari, redistributing land, and providing landownership to the landless. Even tenurial and redistributive reforms which were aimed at the "transfer of resources (i.e. land) by non-market means" in post-independent India, "there has been limited capitalist transformation, it is an archetypal form of primitive accumulation" (Byres, 2005, p. 85). Without going into details of different forms of land reforms in India, the developmental state of Independent India's land reforms accelerated the dispossession of poor peasants; "often, they would be ejected in anticipation of legislation" (Byres, 2005, p. 86).

Briefly summarizing, to be able to grasp the political economy of the Indian state and its developmental trajectory, it is necessary to remember three main issues: surplus population/ the reserve army of labour, deindustrialization, and land ownership in rural India[31] as a colonial deleterious legacy and(or) bugaboos of its political economy. Jawaharlal Nehru mentions the situation in *Purna Swaraj,* Presidential Address as the goal of the Congress, Lahore Session in 1929:

> Many of the problems we have to face today are the problems of vested interests mostly created or encouraged by the British Government. The interest of the rulers of the Indian states, of British Officials, and British capital and Indian Capital and of the ownership of big Zamindaris are ever thrust before us, and they claim our protection. The unhappy millions who really need protection are voiceless and have few advocates. (Batabyal, 2007, p. 266)

As early as Nehru indicated, the development trajectory of India is the expression of constraint and search under historical reminiscences of colonialism and conjunctural interests of divergent social classes. The developmental state experience in India was an attempt to reverse the deindustrialization process[32], mainly shaping the country's capitalist accumulation process in alignment with this goal. The latter two bugaboos: agricultural production and related issues -even though land reforms have been attempted to address issues of land concentration and inequitable distribution- and the surplus population as a reserve army of labour stemming from rapid population growth, inadequate job creation, and disparities in educational and skill levels, still are at stake in the 2010s. In this chapter, where the state form of India from 1947 to

[31] For a comprehensive analysis of the rural question in India:
Patnaik, U. (1971). Capitalist development in agriculture: A note. *Economic and Political Weekly*, *6* (39), pp. A123- A130.
Patnaik, U. (1990). *Agrarian relations and accumulation: The 'mode of production' debate in India*. Oxford University Press.

[32] India's deindustrialization is a multilayered debate. As Charles Bettelheim argues, foreign trade statistics are still a reliable source to signify how India transformed from an exporter country to an importer of goods at the end of the 19th century (p. 47). Bettelheim, C. (1968). *India Independent* (translated from the French by W.A. Caswell). Monthly Review Press.

2010s will be discussed, considering that state power is "a specific material condensation of a given relationship of forces, which is itself a class relation" (Poulantzas, 1980, p. 73), the way the state intervenes in the economy needs to be understood in light of India's evolving social formation and its bugaboos that are roughly summarized above.

This chapter periodizes the changing nature of the form of the Indian state in two main headings: the developmental state and the neoliberal developmental state. The first period starts with the establishment of the Republic. It is argued that the Indian state form as a developmental state project under the rubric of late capitalism (late industrialization), which was sustained from independence until the 1980s. The experience of Import Substitutive Industrialization (ISI), which was framed under central planning, import and industrial licensing, capital controls and heavy industrialization, depends upon the form of an "integral state" (*lostato integrale*)[33] as a national democratic developmental state in India. Seeing "development" as a strategy that envisages the establishment and consolidation of the national economy in conditions of late capitalism under a different form of integration to the world economy enables to overcome a false dichotomy between state power/market or state elite/capital(bourgeoisie) or public sector/private sector (Yalman, 2002). In general, developmental state project and(or), more specifically, ISI strategy, was not unique to the Indian case (Amsden, 1990) since Indian developmental state experience varies with late industrialized countries such as South Korea, Brazil, Taiwan, Mexico, and Turkey in terms of "strategic selectivities"[34] of the state.

The first part recaptures the period, which has been extensively discussed in the literature with various conceptualizations such as "state-led planning", "state dirigisme", and "mixed economy". The second period begins with the decline of the hegemonic project of the developmental state in the 1980s. Even though the clear

[33] The integral state encompasses not just the formal institutions of government but also the broader societal structures, including cultural, educational, and ideological institutions, that contribute to the exercise of state power. Gramsci, A. (1971). *Selections from the prison notebooks.* Lawrence & Wishart.

[34] The concept of strategic selectivity is the formula of Bob Jessop, which was inspired by the late writings of Nicos Poulantzas.

shift from previous policies is known to have started with the neoliberal reforms initiated by Manmohan Singh in 1991, the chapter discusses the period started in the 1980s as the neoliberal developmental(ist) project lasting until the 2010s. The "ist" suffix here indicates that while the state project has been restructured under developmental premises, its neoliberal essence has created a state form that pretends to be developmental.

2.2. The State Debate in India

The exploration of the Indian state through diverse levels of analysis and a wide range of inquiries has yielded a significant body of literature. The analyses on the state were confined to political philosophy[35] and examination of public and governmental institutions under the influence of British tradition in India (Shah, 2001, p.15). In the 1950s, empirical studies on the functioning of state institutions started to become prevalent through behavioural American political science's good offices (ibid.). Similarly, David Easton's systems analysis of political life (inputs and outputs) under the terrain of "the authoritative allocation of values for a society" dominated political analyses in the 1960s. Intra-elite conflicts and Constitutional refinements were the scopes of scholarly analysis of Indian political science in general (ibid.). Due to their object of inquiries as such, the lawyers and constitutional experts were predominant in discussions on the Indian state for the sake of serving "as vehicles for the twin objectives of nation-building and development" in the conjuncture (Das, 2013, p.4). Additionally, "political development" was emphasized by liberal-pluralist political scientists like Gopal Krishna, Rajni Kothari, Horst Hartmann, Duncan B. Forrester, D.L. Sheth, Iqbal Narain, Paul Brass, and W.H. Morris-Jones started publishing their works since the late 1960s and framed Indian politics under political behaviour lineage.[36]

---

[35] In the modern political thought, the "concept of the state-its nature, its powers its rights to command obedience- had come to be regarded as the most important object of analysis in European political thought" (Skinner, 1978, p. 349). Skinner, Q. (1978). *The foundations of modern political thought: Volume II the age of reformation*. Cambridge University Press.

[36] Krishna, G. (1967). Electoral participation and political integration. *Economic and Political Weekly*, *2*(3/5), 179–190. http://www.jstor.org/stable/4357550 .
Kothari, R. (1964). The Congress "System" in India. *Asian Survey*, *4*(12), 1161–1173. https://doi.org/10.2307/2642550 .

Liberal-pluralist approaches interpret politics as party politics in which political parties, elections, leaders, democratic procedures, and types of government have been the main subjects of inquiry in the tradition. In particular, the heterogeneity of Indian society in terms of caste, language, religion, tribe, and class creates a representational race between different alliances of political forces to be able to penetrate the state/government policies. Rajni Kothari's *Congress 'System'* has served as a foundational framework and a source of inspiration for researchers and approaches in a pluralist framework. According to Kothari, Congress absorbed different pressure groups' (castes, classes, religious minorities, ethnicities, tribes) conflicting expectations from the political system and created an intra-party conflict driven by the dominant party system in India till 1977.[37] Not only for Kothari but also for liberal-pluralist tradition, under the influence of political bargaining of different social groups, party politics has turned to a type of identity politics that "the question of whether politics gets ethnicized/casteized with their entry or ethnicities/castes get politicized in the process[38]" (Das, 2013, p.8). In other words, analysis of the political process by ethnic or caste considerations and (or) ethnicities/castes' politicization through their participation in politics created a significant amount of literature in Indian politics, which can be summarized under the heading of party politics/identity politics approaches.

Kothari, R. (1967). India's political transition. *Economic and Political Weekly*, *2*(33/35), 1489–1497. http://www.jstor.org/stable/24477855 .
Kothari, R. (1967). Party politics and political development. *Economic and Political Weekly*, *2*(3/5), 163–178. http://www.jstor.org/stable/4357549 .
Hartmann, H. (1968). Changing political behaviour in Kerala. *Economic and Political Weekly*, *3*(1/2), 163–178. http://www.jstor.org/stable/4358133 .
Forrester, D. B. (1968). Electoral politics and social change. *Economic and Political Weekly*, *3*(26/28), 1075–1094. http://www.jstor.org/stable/4358817 .
Sheth, D. L. (1970). Political development of Indian electorate. *Economic and Political Weekly*, *5*(3/5), 137–148. http://www.jstor.org/stable/4359547 .
Narain, I. (1970). Democratic politics and political development in India. *Asian Survey*, *10*(2), 88–99. https://doi.org/10.2307/2642243 .
Brass, P.R. (1965). *Factional politics in an Indian State: The Congress Party in Uttar Pradesh.* iUniverse.
Morris- Jones, W.H. (1964). *The government and politics of India*. Hutchinson University Library.
Sheth, P. N. (1973). Indian electoral behaviour: patterns of continuity and change. *The Indian Journal of Political Science*, *34*(2), 199–210. http://www.jstor.org/stable/41854569 .

[37] Kothari, R. (1970). *Politics in India.* Orient BlackSwan.
The year of 1977 was the end of the Emergency which was declared in 1975 by Prime Minister Indira Gandhi.

[38] Kothari, R. (1970). *Caste in Indian politics*. Orient Longman.

Sudipta Kaviraj uses the term of *the Nehruvian state* instead of *the Congress 'System'*. Like Kothari's argument, Kaviraj argues that the early state formation process in Independent India was a birth of the consensus. The consensus does not imply an agreement. Rather, it is "a historic convergence of radically different expectations" (2010, p.73). As an intellectual associated with Subaltern Studies[39], Kaviraj underlines the peculiarities of the Indian state formation process from the West (Kaviraj, 2010). The 'strangeness' of Indian modernity, democracy, state formation, or imagination from the West has immensely been underlined by Kaviraj. In line with this, Kothari's political development or political culture analyses for the Indian case are not relevant, and the anti-romantic (denouncing Kothari's view as romantic) view should be revised by figuring out the absence of the Western political culture in India (ibid.) for Kaviraj. Postcolonial tradition focuses on the failure of "modernization" and(or) capitalist economy, mainly underlining the persistence of subaltern classes, especially the peasantry. The state is seen as an external disciplinary institution above rural/ peasant culture. Kothari and Kaviraj are the most prominent thinkers of liberal-pluralist and postcolonial traditions on approaches and interpretations of the Indian state. Despite the presence of both positive and negative normative attributions concerning the political development of the state in India, there is a shared understanding of the interpretation of the state as the chief political institution that can or cannot manage to succeed in "modernizing" "Westernize" democratic political procedures in India.

Liberal pluralist tradition is mainly criticized for its methodological individualism and the absence of "institutions" and (or) underscoring capitalist relations of production in the way of a broader sense. The research trajectory of the well-known University of Chicago researchers Lloyd Rudolph and Susanne Rudolph (the Rudolphs from now on) shows the transformation of the research agenda on the Indian state in the 1980s. One of their earlier studies closely resembles the approach taken by the first generation of political science scholars, who were inclined to observe political development in India. For instance, *The Modernity of Tradition: Political Development in India*, published in 1967, shares similarities with those

[39] For the trajectory, Subaltern Studies: A conversation with Partha Chatterjee. *Cultural Anthropology*. https://journal.culanth.org/index.php/ca/subaltern-studies-partha-chatterjee .

earlier works. Differently, *In Pursuit of Lakshmi: The Political Economy of the Indian State*[40], published in 1987, serves as a significant reference guide for transcending the boundaries of a liberal-pluralist interpretation of the state in India. In the book, the Rudolphs see the Indian state as a strong third actor, and capital and labour lose their significance in the realm of the political economy due to the Indian state controlling investment and employment in the organized sector. For the Rudolphs, the state defends "the collective interest" ideologically. As a result, the policy mode of the Indian state is a "command polity model," which is sovereign, autonomous, authoritative, and differentiated from societal interests. Even, the Indian state suffers from the paradox of strong-weak state that the state capacity is strong, but the state is constrained by demand groups which are "akin to social movements rather than to the organized interests and political parties". The former uses successful agitation and massively crowded protests, which is a weakness of the Indian state. The latter depends upon expert knowledge, political donations, and patronage networks, which is not valid in India. While the Rudolphs expanded their research agenda from political development in India to "political economy *in* India" (emphasis original), they also criticized the methodological individualism of the rational choice theory in the 1980s and the overgeneralizations of the dependency school and modernization approaches. Their conceptualization of the state as a "self-determining third actor" still takes the state for "granted", aligning with the pluralist-liberal tradition. Nevertheless, this conceptualization paved the way for a more comprehensive analysis of the Indian state under the institutional political economy framework.

During the 1980s and 1990s, the momentum of market-oriented reforms in India spurred a heightened interest in investigating the country's political economy, both in terms of volume and scope. Eminent economists, notably affiliated with prestigious institutions such as Ivy League schools and Oxbridge, including Jagdish Bhagwati[41],

[40] Rudolph, L. & Rudolph, S. (1987). *In pursuit of Lakshmi: the political economy of the Indian state*. The University of Chicago Press.

[41] Bhagwati, J. (1993). *India in transition: Freeing the economy*. Clarendon Paperbacks.
Bhagwati, J. & Panagariya, A. (2013). *Why growth matters: How economic growth in India reduced poverty and the lessons for other developing countries.* Public Affairs.

T. N. Srinivasan[42], Montek Singh Ahluwalia, and Arvind Panagariya[43], not only engaged in scholarly research elucidating the transformative processes but also actively contributed to policy formulation for the Indian governments. Bhagwati focused on the analysis of trade policy (the role of free trade in growth), Srinivasan emphasized the inclusiveness of neoliberal reforms, Ahluwalia underlined the necessity and applicability of structural reforms, and Panagariya concentrated on infrastructural growth. These pro-reform economists were primarily concerned with reducing state intervention, increasing foreign investment, and upgrading domestic capital investment.

In contrast, their counterparts from Ivy League and Oxbridge backgrounds, such as Deepak Nayar[44], Baldev Raj Nayar[45], Francine Frankel[46], Atul Kohli[47], Pranab Bardhan[48], and Amiya Kumar Bagchi[49], gave precedence to issues encompassing sustainability, institutional frameworks, state capacity, and social considerations. The early 1990s agenda for the applicability of market reforms has evolved into institutionalizing market-based structures within the political-economic framework since the idea of the Indian *state as a third actor* has solidified its position. It is noteworthy that Pranab Bardhan, Francine Frankel, Amiya Kumar Bagchi and Atul Kohli emphasize the class aspects of the Indian state, highlighting the dominance of particular classes or "business groups" within it. Their consideration of class as a

---

[42] Srinavasan, T. N & Tendulkar, S. (2003). *Reintegrating India with the world economy*. Paperback.

[43] Panagariya, A. (2008*). India: The emerging giant*. Oxford University Press.
[44] Nayyar, D. (2013). *Catch up: Developing countries in the world economy*. OUP Oxford.

[45] Nayar, B. R. (1989). *India's mixed economy: The role of ideology and interest in its development*. Popular Prakashan.
Nayar, B. R. (2014). *Globalization and India's economic integration*. Georgetown University Press.

[46] Frankel, F. (2005). *India's political economy, 1947-2004*: *The gradual revolution*. Oxford University Press.

[47] Kohli, A. (2004). *State-directed development: Political power and industrialization in the global periphery*. Cambridge University Press.
Kohli, A. (2012). *Poverty amid plenty in the new India*. Cambridge University Press.

[48] Bardhan, P. K. (1984). *The political economy of development in India*. Oxford University Press.

[49] Bagchi, A. K. (1982). *The political economy of underdevelopment*. Cambridge University Press.
Bagchi, A. K. (2004*). The developmental state in history and in the twentieth century*. Regency Publications.

reflection of status in society aligns with the views of the Rudolphs, predominantly influenced by Weberian ideas. For instance, Bardhan's well-known formulation that the Nehruvian Indian state represented a consensus among "the agrarian elite, the industrial bourgeoisie, and the bureaucracy," employs a similar methodology. The Rudolphs' nuanced argument suggests that the agrarian elite transformed into "bullock capitalists" over time, offering a more intricate perspective on the evolution of rural capitalism in India (Bardhan, 1984; Rudolphs, 1987). Although these contributions elucidate differential class aspects of Indian society under political scrutiny, their approach to understanding class motives as embedded phenomena within society diverges from the Marxist-inspired approaches that follow.

From Independence to the present day, Marxism-inspired societal/class-based analyses have generated quite an amount of literature for understanding the social formation in India. Concerning the Indian state, the literature can be categorized into three separate trajectories. The first trajectory primarily analyses the colonial legacy and the *dependent nature* of the Indian state. The second trajectory explores the *mode of production*[50] debate, which gained prominence in the 1970s and 1980s. The third trajectory focuses on *the class nature of the state*. It is important to note that these categorizations are not rigid, as these debates are intricately linked and have evolved over time, especially in the political interpretations of these left-leaning scholars. The Indian social formation serves as an example of the "distorted or blocked" transformation under colonial rule, according to Utsa Patnaik[51]. The "distorted" nature argument pushed many scholars to configure the real nature of the mode of production, particularly in agrarian relations such as the *semi-feudal mode of production*[52] and *colonial mode of production*[53]. A Polish economist, Michal

[50] For a very detailed summary of the "grand" debate, Thorner, A. (1982). Semi-feudalism or capitalism? Contemporary debate on classes and modes of production in India. In J. Pouchepadass, (Ed.) *Caste et classe en Asie du sud* (pp.19-72). Éditions de l'École des hautes études en sciences sociales.

[51] Patnaik, U. (1971). Capitalist development in agriculture: A note. *Economic and Political Weekly*, *6* (39), pp. A123- A130.

[52] Bhaduri, A. (1973). A study in agricultural backwardness under semi-feudalism. *Economic Journal*, *83*(329), 120-137.

[53] Alavi, H. (1975). India and the colonial mode of production. *Socialist Register*, *12*, 160-197.

Kalecki categorized India as one of the *intermediate regimes* by emphasizing the absence of "dynamics entrepreneurs" and the extent of state involvement in the economy. These categories faced criticism from Paresh Chattopadhyay[54] and Ranjit Sau[55]; the former remarked that the "commodification of labour" sufficiently depicts capitalist social relations in India, while the latter contended that **"**India's agriculture is increasingly coming under its sway; the industry has long been the home of capitalism. Thus, Sau argued that during the last three decades, the capitalist class in India has strengthened its position almost beyond recognition" that "capitalism is the dominant mode of production in the Indian economy" in 1984[56]. One of the prominent intellectuals in contemporary Marxism, Prabhat Patnaik contributed to the debate by arguing that India is on the way of capitalist development under "particular agrarian relations and a particular power configuration in the world capitalist economy" at the same year[57].

Anupam Sen's book deserves a more detailed examination as it serves as a prototype for approaching the third facet of understanding the state in India. *The State, Industrialization and Class Formations in India,* was first published in 1982.[58] The book addresses the nature of the state in India from a "Neo-Marxist" perspective, offering a significant study wherein the state is conceptualized as "a reflection of the social dynamics resulting from either the constant change or relative stability of a mode or modes of production and the resultant class configurations" (Sen, 2017, p. 1). Sen contends that "the state in India, conditioned by the nature of its social formations, was and still is autonomous, and this autonomy has had and still has a *positive* impact (emphasis is mine) on the character of the economic development or underdevelopment of India during the pre-British, British, and post-Independence

[54] Chattopadhyay, P. (1972) Mode of production in Indian agriculture: An 'anti kritik'. *Economic and Political Weekly*, *7* (53), A185-A192.

[55] Sau, R. (1984). Development of capitalism in India. *Economic and Political Weekly*, *19* (30), pp. PE73-PE80.

[56] Ibid.

[57] Patnaik, P. (1984). Market question and capitalist development in India. *Economic and Political Weekly, 19*, (31/33), 1251-1260.

[58] Sen, A. (2017). *The State, industrialization and class formations in India.* Routledge.

periods" (Sen, 2017, p. 6). According to Sen, the concept of "the autonomy of the state" is intricately linked to the Asiatic mode of production, characterized by an "integral unity between agriculture and artisan industry" (p. 124), during the transition to capitalism. He argues that the colonial state served the metropolitan bourgeoisie due to a "partly Asiatic, partly feudal, partly capitalist" social formation. In the post-independent era of India, the state maintained its autonomy *vis-a-vis* social classes owing to "the same social formation inherited from the colonial period" (Sen, 2017, pp. 6-7).

Sen draws on Thomas Bamat's analysis of the state in Brazil and Peru[59], as well as Hamza Alavi[60]'s analysis of Bangladesh and Pakistan, to discuss "the autonomy or independence of the state in the majority of Third World countries on the basis of the weakness of the social classes". He concludes that "the social classes in most post-colonial Third World societies have failed to establish their hegemony over the state not because the state apparatus was overdeveloped by the colonial rulers, but because the state was stronger than the social classes long before these societies were colonized" (Sen, 2017, pp.12-13). Additionally, Sen argues that "at the time of independence, the Indian bourgeoisie was too weak to initiate large-scale industrialization on its own" (Sen, 2007, p. 88). Consequently, "the private sector appeared quite willing to let the state play an important part, at least in the initial stage of industrialization" (Sen, 2007, p. 91). As a result, he concludes that "the Indian state was not a capitalist state", it is "over almost all social classes, the bourgeoisie, the peasants, and the workers" (Sen, 2007, p. 104).[61] In the Marxist tradition, a common point can be expressed regarding understanding the relative autonomy of the Indian state vis-à-vis social classes in the 1980s. However, the common ground diversifies when considering these social classes' roles, domination, and power. In other words, there are diversified arguments on the depiction of ruling

[59] Bamat, T. (1977). Relative state autonomy and capitalism in Brazil and Peru. *Critical Sociology, 7*, 74-84.

[60] Alavi, H. (1972). The state in post-colonial societies: Pakistan and Bangladesh. *New Left Review, 74*, 59-81.

[61] Sen's documentation of the measurement of what is referred to as "state control" in the Indian economy is highly informative, featuring detailed tables that illustrate the sectoral diversification of the economy (Sen, 2007, pp. 126-161).

social classes, whether as the industrial bourgeoisie and/or rural landlords, and later rural capitalists.

The debate on the nature of capitalism in India continues with various contributions, even though the framing and contextualization changed in the 2000s. Kalyan Sanyal's book *Rethinking Capitalist Development: Primitive Accumulation, Governmentality, and Post-Colonial Capitalism* evoked the nature of social formation debate and the roles of classes and production relations[62] in contemporary India.[63] Interestingly, in a similar way to the *casteization of politics*, and (or) *politicization of caste* debates in the early 1960s and 1970s under the liberal-pluralist framework, class-based analyses have followed a similar trajectory in the *caste-ization of classes* and(or) *class-ization of castes* (emphasis mine) has become a research agenda of new scholarships[64] under neoliberal India, signifying a change in the Indian social form. In line with Marxism-inspired political economy analysis, the conceptualizations in the 2000s mainly revolve around "primitive accumulation," "surplus population or "absorption capacity" of capitalism, "informal economy," and "jobless growth" in other words, contemporary issues within neoliberal capitalism. In contrast to the debates of the 1970s, the emphasis has shifted towards addressing the contemporary shortcomings of neoliberal capitalism rather than questioning the fundamental nature of the mode of production.

In the 2000s, two significant critiques and contributions emerged regarding how the state is addressed in India. The first is Vivek Chibber's book, *Locked in Place: State Building and Late-Industrialization in India,*[65] and the second is Chirashree Das Gupta's study, *State and Capital in Independent India: Institutions and*

---

[62] I'm referring to Sanyal's analysis of these conceptualisations. The book employs post-colonial terminology rather than old-school Marxism, but the essence is similar in terms of aiming to understand the nature of the political-economic context.

[63] Gidwani, V., & Wainwright, J. (2014). On capital, not-capital, and development: After Kalyan Sanyal. *Economic and Political Weekly*, *49*(34), 40–47. http://www.jstor.org/stable/24480914 .

[64] Teltumbde, A. (2018). Republic of caste: Thinking equality in the time of neoliberal Hindutva. Navayana.

[65] Chibber, V. (2006). *Locked in place: State-building and late industrialization in India.* Princeton University Press.

Accumulation[66]. Chibber's book explores "the developmental state" debate in India. Even those with a basic understanding of academic research and discussions on India's political economy may find themselves perplexed by the recurring use of the term "failure"[67] in discussions surrounding planning, industrialization, urbanization, poverty alleviation, and, inevitably, development. The question arises: "Who or what is responsible for this failure?" Is it the plans, the state, the bureaucracy, the market, the Congress, the elites, the communist parties, the industrial bourgeoisie, the rural aristocrats, or feudal landlords- the list goes on? The following question is: "What went wrong?" The answer is seemingly simple: development, compared to the success stories of East Asian countries like Japan, South Korea, and Taiwan. Chibber is also on a quest to find the answers to these questions. The main argument of the book is that "the widespread and organized resistance of the business class" "blocked the building of a successful developmental state in India" (2006, p. 85). The objection of the Indian business class to "disciplinary planning" can be attributed to *structural reasons,* as their rationale for doing so was inherently *rational* due to incentive structure, licensing regime, and price control mechanism under the Import Substituting Industrialization (ISI) (emphasis original) for Chibber (ibid.). While a detailed examination of historical facts might reveal a study worth careful attention in both the cases of India and South Korea, determining where the state begins and ends in Chibber's work is quite challenging. In contemplation, the discourse centres around the feasibility of attributing autonomy to a developmental state within the confines of a capitalist social formation, particularly in its interactions with diverse social classes. Should this autonomy prove implausible, it beckons an inquiry into the prospect of the capitalist class assuming the role of a societal pressure group, prompting a nuanced exploration into the explanation of their distinctive preferences and the dynamics of power that underscore their influence. In other words, the

---

[66] Das Gupta, C. (2016). *State and capital in independent India: Institutions and accumulation*. Cambridge University Press.

[67] Datta-Chaudhuri, M. (1990). Market failure and government failure. *The Journal of Economic Perspectives*, *4*(3), 25–39.
Bhagwati, J. (1998). India's economic reforms: Dismantling the machine for going backwards. *Vikalpa: The Journal for Decision Makers*, *23* (1).
Kamath, S. (1994). The failure of development planning in India. In P. J. Boettke (Ed.) *Collapse of Development Planning* (pp. 90-145). New York University Press.
Drèze, J., & Sen, A. (2013). *An uncertain glory: India and its contradictions*. Princeton University Press.

empirical and historical depth of Chibber's analysis needs to be amalgamated with "strategic concepts in offering 'middle-range' interventions between the state form and state power" (Jessop, 2018, p. 55).[68]

Das Gupta's work is another significant study that brings capital back into state analyses from the societal/class-based political economy perspective, serving as the third facet of interpreting Indian politics. Das Gupta examines the legal aspects of the capital accumulation process, particularly the property rights regime in India. The role of the state in the capital accumulation process between 1965 and 1980 is explained by examining the expansion and diversification of the capitalist class throughout the 1970s, especially with the emergence of new family-controlled business houses, i.e., sectorally diversified conglomerates. The analysis of intra-class conflicts among capitalists and insights into the class formation process and its interplay with legal procedures constitute a remarkably valuable contribution to the field. The study is an insightful example of engaging with the discussions that unfolded in the aftermath of the 1980s.

2.3. The Developmental State

The concept of the developmental state (DS) has engendered a canonical body of literature within the realm of political economy studies since the 1990s. A seminal work that catalysed the momentum was Chalmers Johnson's 1982 publication, "MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975." Subsequent scholars such as Alice Amsden (1989), Robert Wade (1990), Ha Joon Chang (1994), and Peter Evans (1995) have undertaken critical examinations of East Asian experiences, offering insights distinct from neoclassical perspectives prevalent during the period. The central theme was the significance of "a strong and autonomous state, providing directional thrust to the operation of the market mechanism" for the sake of industrialization (Öniş, 1991, p.110). Under the guidance of rational bureaucracy, investments could be directed efficiently to the strategic necessities of a country. As a result, "the synergy between the state and the market"

[68] Jessop, B. (2018). The state as a social relation. In J. Brooke, J. Strauss, & G. Anderson (Eds.), *State formations: Global histories and cultures of statehood* (pp. 45-57). Cambridge University Press.

lays the foundations of successful development experience (ibid.). For the DS literature, these states are proactive in implementing policy changes through their own initiative. This initiative is facilitated through state-private sector-bureaucracy collaboration. Not only the successes of Japan, South Korea, Taiwan, Singapore and Hong Kong but also interpretations of historical experiences of previous late industrializations (Germany or the Soviet Union) in addition to theoretical contributions of modernization economists of the 1950s (Alexander Gerschenkron) are historical and theoretical substitutions of the DS approaches.

A key theme in the developmental state literature is the effectiveness of state-led development strategies in fostering economic growth and industrialization. By actively guiding economic activity and directing resources towards key sectors, developmental states aim to overcome market failures and accelerate industrialization. Robert Wade and Peter Evans, among others, have highlighted the crucial role of institutions in facilitating state intervention and coordinating economic policies. Through strategic industrial policies, developmental states seek to create a conducive environment for domestic industries to flourish, often leveraging protectionist measures and subsidies to nurture infant industries until they become globally competitive. While East Asian countries like Japan, South Korea, and Taiwan are often cited as exemplars of successful developmental states, i.e. "the *locus classicus* of the modern DS concept was undoubtedly East Asia", scholars also examine the challenges and limitations of this model (Radice, 2008, p. 1154).[69]

Obviously, the DS debate is mainly concrete policy-oriented, and Ethiopia has recently become a new shining country as a developmental state practice in the literature (Chang & Hauge, 2019; Lavers, 2023). Due to the nature of a practical guide, policies of the development state are mainly evaluated according to the failure or success discourse (Chibber, 2006; Cammack, 2007; Herring, 1999). For instance, Ronald J. Herring's chapter "Embedded Particularism: India's Failed Developmental State" starts with a striking statement: "India must be the most dramatic case of a failed developmental state" (1999, p. 306) however, as Öniş rightly argued, "the East

[69] Hugo Radice underlines the significance of "corporate governance, innovation systems and labour markets" to compare states, stating that the DS' focus is mainly on the state's role (Radice, 2008, p. 1164).

Asian model of the developmental state is the product of unique historical circumstances" (Öniş, 1991, p. 120) so as well as India's relative success or failure.

As early as 1996, Ben Fine and Colin Stoneman warned that the methodology of development studies narrowed down to two significant issues or, rather, two aspects of a single issue. These issues explain the reasons for "success" in East Asia and investigate the reasons for "failure" for others (India, Brazil…) or for certain topics such as inequality, authoritarianism and corruption (p. 6). Scholars have two main agendas in the literature surrounding the state and its role in fostering development: the "market failure" paradigm and the "state capacity" paradigm. The former scrutinizes instances where market mechanisms falter, directing attention to issues such as economies of scale, externalities, nurturing nascent industries, strategies for bolstering exports, and the dynamics underpinning endogenous growth theory. The latter focuses on enhancing and recalibrating institutional frameworks and operational mechanisms at the state level to cultivate the conditions requisite for attaining the developmental state paradigm (ibid., pp. 14-16). Briefly, the DS is still "a practical framework for development policy" in addition to "an analytical focus for opponents of neoliberalism" (Radice, 2008, p. 1168) since the literature has been wide of the mark in these two agendas. The reason is mainly the lack of theoretical conceptualization of the state, which is related to underestimating the role of political struggles even though "the concept is important theoretically" (Herring, 1999, p.307).

The theoretical contribution of Nicos Poulantzas to the state theory has to be reconsidered in terms of its rejection of "the view that the state can be seen as a subject" (Jessop, 1999, p.51).

> It should be seen as an *institutional ensemble* rather than a unitary political subject. It is shot through with contradictions and has no political power of its own. The power of the state is the power of the class forces that act in and through the state. (ibid.)

Following Poulantzas, Jessop claims that

> State *power* (not the state apparatus as such) should be seen as a *form-determined* condensation of the balance of forces in political and politically-relevant

> struggle. This reformulation combines the themes of a necessarily specific form, material condensation, and balance of forces. Exploring this theme involves two interrelated aspects of the state system. We need first to examine the state form as a complex institutional ensemble with a specific pattern of 'strategic selectivity' which reflects and modifies the balance of class forces and, second, to consider the constitution of these class forces and their strategies themselves, including their capacity to reflect on and respond to the strategic selectivities inscribed within the state apparatus as a whole. (ibid.)

The developmental state definition here, which is derived from the theoretical contributions of Antonio Gramsci, Nicos Poulantzas, and the Regulation School of theorists, especially Bob Jessop, is different from state agency-driven concrete policy-oriented institutionalist canon in five ways theoretically in terms of:

i. The priority of *politics* [70]
ii. The nature of the state is conditioned by the mode of production [capitalism], but the form of the state is conditioned to the nature of the politics (power relations within capitalism, inter and intra-class conflicts) [71]
iii. The state is not an actor but "a material condensation" of political power struggles between inter-intra-class conflicts
iv. The state agency/ state capacity/ state strategy could not be overshadowed by the balance of social forces. In other words, regardless of the prevailing social pressures or interests, the significance of the state's institutional capabilities, capacity, or strategic decisions cannot be overlooked
v. The state cannot be an *explanans* but rather an *explanandum* in political economy that viewing "different forms of state 'interventions' into the economy" should be seen "as the outcome of competing political strategies" (Yalman, 2009, p.119 & p. 111)

As a result, the developmental state is defined as a state form here:

[70] Understanding the "political domination is inscribed in the state's institutional materiality" is significant to be able to grasp "(a) how each national state system develops in a distinctive way according to the material condensation of the specific political relations which have developed in a given nation-state, and (b) how the state changes according to each stage and phase of capitalism, according to normal and exceptional periods, and across diverse forms of regime" (Jessop, 1999, p. 50).

[71] "It is rather a relationship of forces, or more precisely the material condensation of such a relationship among classes and class fractions, such as this is expressed within the State in a necessarily specific form" (Poulantzas, 1980, p. 129).

i. The capital accumulation strategies of late capitalist countries under post-World War II conditions varied in accordance with their historical and social formations, balances of social forces, and forms of articulations to the world market.
ii. The developmental states are capitalist states that orchestrate the inherently contradictory nature of capitalist relations of production and are orchestrated by social powers that seek power.
iii. The DS concept has an analytical strength to overcome state-market, bureaucrat /state (political) elite-capital/bourgeoisie and state-society dichotomies to create a ground to think of political-economic relations without reification.

To understand the current character of the Indian state under financialization, examining the turning points of state projects in India, from a developmental state to a neoliberal developmental state as state forms, is crucial. The state form was a democratic developmental state from Independence until the 1980s under the planned economy of heavy industrialization targeted ISI model. The project lost its hegemonic nature in the 1980s, and the Indian state transformed into a neoliberal developmental state under the pillars of a liberalized and deregulated market structure with quasi-planning until the 2010s.

The following section is a historical revisiting of the developmental state form of India. The investigation critically recaptures three periods: the planned industrialization period of the 1950s and 1960s, the rural transformation and the crisis of the ISI in the 1970s and the so-called "stealth liberalization" of the 1980s. The sub-periodization[72] of the term does not show the rupture in the form of the state; instead, it reflects inconsistencies and political and economic changes in the country. The democratic developmental state form of India and the strategic

[72] Atul Kohli uses three chronological phases: "the Nehru era (approximately 1950–64), the era of Indira Gandhi (approximately 1965 to the early 1980s), and the last two decades (before 2004, emphasis mine) of the twentieth century, during which numerous governments have come and gone". For him, political changes have affected not only the volume but also the design of industrialization by underlining the positive contribution of the Nehruvian legitimacy in contrast to the negative impacts of Indira Gandhi's period of political crises. In the third period, "the political drift toward the right has been connected with a growing role of the private sector in the economy and improved economic performance" (2004, p. 259).

selectivity of the Indian state have consistency, although there have been political struggles, strategic divergences in economic policy motives, and the changing nature of the balance of power between classes. Post-independence economic strategies revolve around the role of the Planning Commission and Five-Year Plans in industry and rural distress stemming from discrepancies between socialist rhetoric and capitalist accumulation.

2.3.1. Formation of the Developmental State Through Planned Economy

The political economy of Independent India reflects a complex interplay of historical legacies, developmental challenges, and evolving state-society relations. It is important to underline that in addition to a socio-economic deleterious legacy, Independent India succeeded in a modern bureaucratic mechanism of civil service, armed forces, and judicial structure as a former colonial state (Kohli, 2004). The developmental state of India has condensed historically post-WWII international conjuncture in addition to the social formation of post-colonial society. The state formation went hand in hand with developmentalism and the creation of a "national capitalism" (Chibber, 2005, p. 144).

From Independence to the present, India has had colonial bugaboos in her political economy, and at the centre of these debates is the Indian state, whether discussed in the context of state intervention or not. In other words, debates on the political economy of India have not been conducted separately from the discussion of the nature of the Indian state.[73] According to Mahendra Prasad Singh, the evolution of the state in India can be observed to have undergone three significant transformations throughout history:

> from lineage-based, primitive political systems to the origin of the state in the post-Vedic period and on the tribal peripheries of Brahmanical, Indo-Islamic, and Indo-British civilizations throughout Indian history; (2) from regional kingdoms to sub-continental imperial states dotting the entire historical landscape, beginning at least with the Maurya empire in Magadha in the fourth to second centuries B.C. and culminating in the British colonial state in the nineteenth and twentieth centuries; and (3) from empire to nation-state following the British withdrawal in 1947. (1990, p. 809)

[73] The nature of the state debate is related to the mode of production debate in general.

After the British withdrawal in 1947, the Indian Constitution codified a parliamentary form of government that is federal in structure and has unitary features. The Constitution of India has selectively borrowed some features from other Constitutions (such as the Westminster bicameral parliamentary model[74] from the United Kingdom, the written constitution and federal structure from the United States, and notions of liberté, égalité, and *fraternité* (liberty, equality, fraternity) in the Preamble from France)[75] (Corbridge et al., 2013). As a former British colony that gained her Independence in 1947 (in a conjuncture where there were two rival systemic alternatives: capitalism and socialism), "India had to choose between a Soviet and a Western constitution and …she chose the latter" (Cherry, 1952, p. 404). Indian constitution-makers wrote welfarist objectives under the spirit of economic justice thanks to being "the first major democratic constitution written after the great depression of the thirties (ibid.). The Constitution is quite detailed because of the ethnic, linguistic, and religious diversity of the population and the caste system in India.[76] Caste discrimination is banned with Dalit leader of the Independence movement, Bhimrao Ramji Ambedkar's contribution- who has often been referred to as the father of the Indian Constitution-. In the constitution, untouchability is abolished, and its implementation of any form is forbidden.[77] This peculiar framework of the Indian Constitution's historical configuration is the laconism of "the state in India" on paper. In short, the state in India has constitutionally been formatted as a non-communalist democracy under an egalitarian framework, even in the cases of governmental changes from one-party dominance (Indian National Congress/ The Congress from now on) to coalition politics (Gupta, 2013).

---

[74] There is a Council of Ministers with the Prime Minister as its head to advice the President, who is the constitutional head of the country. Similarly, in states, there is a Council of Ministers with the Chief Minister as its head, who advice the Governor. The Lok Sabha, constitutionally the House of the People, is the lower house of India's bicameral Parliament, with the upper house being the Rajya Sabha. Members of the Lok Sabha are elected by an adult universal suffrage and a first-past-the-post system to represent their respective constituencies, and they hold their seats for five years or until the body is dissolved by the President on the advice of the council of ministers.

[75] Cherry, H. D. (1952). The constitutional philosophy of India. *India Quarterly*, *8*(4), 401–416. http://www.jstor.org/stable/45068354 .

[76] The constitution of India is still the longest national constitution in the world.

[77] Galanter, M. (1963). Law and caste in Modern India. *Asian Survey*, *3*(11), 544–559. https://doi.org/10.2307/3023430 .

Historians mainly refer to the early independent period of India as the *Nehruvian Consensus* (Stein, 2015, p. 424). The Consensus hinges upon a particular political-economic system shaped by a vision that gives its soul to the Constitution. This period occurred when Jawaharlal Nehru was prime minister, despite various challenges such as territorial tensions (Pakistan and East Bengal), border problems, political conflicts, economic issues, and social uncertainties. Nehru's vision aimed at development and the eradication of poverty through industrialization, the establishment of a secular and democratic republic, and the adoption of a non-aligned foreign policy (Stein, 2015). Although the political economy of this period is often labelled as "socialist" and even stated as such in the Indian Constitution's Preamble, it is appropriate to analyse it as the era of a developmental state.[78]

According to Peter Evans' classification, India and Brazil are considered "middling"/ "intermediate" developmental states (1995). However, regarding the idea of developmentalism grounded in "latecomer industrialization and targeted capital accumulation policies", India had a distinct variant of the developmental state experience (Fine & Pollen, 2018, p. 223). The success or failure of this experience cannot be solely measured by macroeconomic variables, as the form of the state has always been influenced by political parameters as well. Evans also highlights these political/institutional parameters, such as the strength of the bureaucracy in India, as counterforces to the entrenched power of the land-owning classes, but "embedded autonomy" formulation is an ideal type of state which is embedded in the market and autonomous from the social dynamics neglects the conditioning of the state form politically.

The independence of India emerged in the aftermath of the Second World War, and thus, the articulation into the world economy is determined not only by historical and

[78] It is important to remind that during the Emergency period enforced by the former Prime Minister of India, Indira Gandhi, in 1976, the 42nd Amendment of the Constitution inserted the terms "socialist" and "secular" into the preamble. "WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a 1 [SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC] and to secure to all its citizens: JUSTICE, social, economic and political; LIBERTY of thought, expression, belief, faith and worship; EQUALITY of status and of opportunity; and to promote among them all FRATERNITY assuring the dignity of the individual and the 2 [unity and integrity of the Nation]; IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949, do HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION." The Constitution of India, https://legislative.gov.in/sites/default/files/COI.pdf .

societal formations but also by the conditions prevailing in that historical period. It is essential to acknowledge the role of the United States in sponsoring ISI in Third World countries during this period, even though ISI is often perceived as a strategy solely devised by Third World nationalists (Maxfield & Nolt, 1990). There have been different ISI theories; for instance, Paul N. Rosenstein-Rodan (1943) argued that "backward countries" should benefit from international comparative advantage by exporting "labour-intensive manufactures to the developed countries with few controls" rather than what Albert Hirschman (1958) contented "capital-intensive industries should be protected until the country had a fully developed industrial base" (ibid., p. 50).

The US strategy has changed in time and location at the world level, and different capital groups' preferences diverged inside the US, too (ibid.). It is a multifaceted discussion, but it is significant to underline that the US heavy industry overdeveloped in the war economy and that Third World industrialization was seen as a solution for the overcapacity of the US industry (ibid.). The Executive Committee on Economic Foreign Policy, which was formed in the US in 1944, clearly recommended the industrialization of the Third World through foreign direct investments. As a result, bilateral technical assistance missions formulated plans for the economic development of a range of countries (ibid.).[79] These initiatives often proposed the establishment of national development banks to facilitate investment in light industry by providing affordable credit for selected projects. Henry Truman's Point Four Program played a pivotal role in this context, and in 1956, the International Finance Corporation of the World Bank was established to extend loans for private investment in developing nations. Subsequently, the International Development Association was created in 1960 to offer low-interest loans for development projects in the least developed countries, accompanied by the Alliance for Progress and a significant increase in US development assistance (ibid.). This

[79] Including the Belgian Congo, Bolivia, Brazil, Burma, Chile, Colombia, Ecuador, Egypt, Ghana, Haiti, Indonesia, Iran, Japan, Liberia, Libya, Paraguay, Peru, the Philippines, Taiwan, Turkey, and Uganda. Similarly, the World Bank missions undertook similar tasks in British Guiana, Ceylon, Colombia, Cuba, Guatemala, Iraq, Jamaica, Mexico, Nicaragua, Nigeria, Surinam, Syria, and Turkey. The efforts to promote industrialization were initiated and financially supported in Afghanistan, Burma, Cambodia, Chile, India, Iran, Israel, Japan, Korea, Laos, Liberia, Mexico, Morocco, Nepal, Pakistan, the Philippines, Thailand, Tunisia, Turkey, and Vietnam (Maxfield & Nolt, 1990).

surge in funding achieved ISI to its peak in the 1960s, with Third-World industrialization being primarily driven by aid and debt rather than exports (ibid.). While some countries may have independently embraced elements of an ISI program, US initiatives ensured that ISI became the prevailing development paradigm worldwide (Maxfield & Nolt, 1990).

The promoted strategy didn't quite align with the actual ground. While only eight per cent of World Bank lending through 1962 was allocated for agricultural purposes, the consequence of this lending was indirectly detrimental to the progression of agricultural production in underdeveloped nations (Hudson, 1969, p. 283). By prioritizing the establishment of urban industrial infrastructure and export-oriented extractive industries, the loan programs of the World Bank spurred an uncontrollable rural exodus of unskilled migrants into cities, exacerbating food deficits in these countries (Hudson, 1969, p. 283). Michael Hudson critiques the oscillations of the ISI strategy, asserting that the World Bank, in applying Keynesian principles to underdeveloped nations, has predominantly addressed issues of the past that afflicted developed nations rather than addressing the contemporary challenges of underdeveloped countries. "What is needed for the economic improvement of the backward countries, it is taught, is "funds" to purchase "technology", but of course, it was not (ibid., p. 285). The ISI strategy pursued by India bears traces of the policy prescriptions of the Third World industrialization stamped by Bretton Woods, while simultaneously, due to the social formation and balances of social forces within Indian society, its experiential reality diverges. In other words, before gaining independence, India primarily relied on exporting raw materials, mainly agricultural products, and acted as a significant source of liquidity for the international monetary system, which was dominated by British influence. Over time, India transitioned into an industrializing country by borrowing capital from the Bretton Woods[80] institutions to fund its development plans outlined in the Five-Year Plans (Balasubramanian & Raghavan, 2018).

[80] To see a debate on negotiations and concessions in the formation of the Bretton Woods from the Indian side. Helleiner, E. (2015). India and the neglected development dimensions of Bretton Woods. *Economic and Political Weekly*, *50*(29), 31–39. http://www.jstor.org/stable/24482032

Due to the colonial system hindering the growth of local capital accumulation, big business houses of Bengal, Gujarat and Bombay supported the nationalist movement (Frankel, 2005; Bagchi, 2010). In the interwar years, British capital gradually lost its ground in India, and the Indian capital took the side of the protectionist strategy in favour of them, not foreign capital[81] (Mukherjee & Mukherjee, 1988). Following India's independence in 1947, the government adopted a planned approach to economic development. The Planning Commission, established in 1950, played a pivotal role in formulating and implementing development plans. During the planning era, India adopted the widely recognized approach of state-led industrialization focused on ISI, particularly heavy industrialization, which was different from Brazil and Turkey, which primarily followed the pattern of consumer production. Both heavy industrialization and the associated so-called "export pessimism" of the strategy have been extensively debated in the literature (Chakravarty, 1989; Bhagwati, 1993; Bardhan, 1999; Kohli, 2004; Chibber, 2006; Panagariya, 2008). The Indian capital continued to support the developmental state project after the independence. If I were to convey in the words of Atul Kohli, "protectionism, as well as an emphasis on heavy industry, was thus seen as serving the interests of nation building" (2004, p. 264). The support of capitalists to Congress is not solely related to economic reasons. Forming the Indian state as a capitalist democratic state is part of establishing the integral state in the Gramscian sense and the international context.

The model encompasses three primary repertoires for policy implementation: public enterprises, the license permit raj, and the Development Financial Institutions (DFIs). While much debate surrounds the first two, the role of DFIs is comparatively less examined.[82] In addition to them, there was a sizable public sector over time, particularly in the infrastructure and basic industries sectors (Chandrasekhar, 2012, p.141). C.P. Chandrasekhar lists the tools and methods of state intervention after the mid-1950s as follows:

---

[81] Foreign firms were viewed as a valuable source of foreign exchange and technological advancements, however, entry barriers such as foreign exchange limitations hindered their presence. Despite this, by the 1960s, foreign capital had a substantial influence, controlling 40 per cent of assets in the organized large-scale private sector, particularly in industries producing luxury consumer goods like radios, refrigerators, clothing, and processed food. (De, 2004, p. 52).

[82] The fourth chapter of the thesis discusses DFIs in India in depth.

> (1) insulating the domestic market from excessive import competition;
> (2) regulating the inflow of foreign capital and mediating the interaction of domestic and foreign capital;
> (3) investing in infrastructure and basic and heavy industries and closing gaps that may not be filled by private players because of lumpy investments, long gestation lags, and uncertain profits;
> (4) using controls on capacity creation and production and the tax-cum-subsidy regime to influence the allocation of investment;
> (5) putting in place a regulatory regime that attempted to reduce industrial concentration and ensure a more regionally dispersed industrial sector. (ibid.)

Particularly, India's first four five-year plan initiated technical change in the composition of the industry, which is mainly the capital goods sector (ibid.). During the Nehru-Mahalanobis[83] era, the Congress party's vision of development leaned towards mitigating conflicts between social classes. This was pursued through measures such as maintaining law and order, safeguarding property, encouraging upward social mobility, and offering public support to enhance productivity in agriculture and industry (Das Gupta, 2016, p. 84). According to Sukhamoy Chakravarty, India adopted a specific planning strategy to surmount what was widely believed to be the primary constraint on its development process at the time: a lack of capital stock relative to the number of available workers (Chakravarty, 1987, p.5). This had both a structural and a value dimension, which was generally grouped together under the term "savings constraint". To put it differently, in the earliest phases of Indian planning, structural aspects of tangible capital formation were a primary focus (ibid.). Partha Chatterjee explains in detail why Chakravarty needs to add legitimacy to the accumulation aspect of planning(plans) in India. As discussed here, it is part of creating a capitalist democratic nation-state (Chatterjee, 1998).

At this point, opening a bracket to the Bombay Plan seems inevitable. The Bombay Plan was a set of proposals for India's economic development put forward by a group of prominent Indian industrialists and economists in 1944. The plan aimed to achieve a mixed economy in India, combining state intervention and private enterprise. The plan called for nationalising vital industries like banking and

[83] Prasanta Chandra Mahalanobis, a renowned Indian statistician, is recognized with the invention of the Mahalanobis distance. He played a pivotal role in the formulation of India's industrialization strategy during the Second Five-Year Plan (1956-61). Britannica, T. Editors of Encyclopaedia (2022, June 25). P.C. Mahalanobis. Encyclopedia Britannica. https://www.britannica.com/biography/P-C-Mahalanobis .

insurance and establishing state-owned enterprises in other sectors. The publication of a two-part document titled "A Plan of Economic Development for India" in 1944-45, comprising slightly over a hundred pages, acquired significant attention both within India and internationally (Baru & Desai, 2018). The authors of the plan were J.R.D. Tata, G.D. Birla, Purushottamdas Thakurdas, Kasturbhai Lalbhai, Ardeshir Dalal, Lala Shri Ram, John Mathai, and A.D. Shroff who are business leaders and economists (ibid.). The plan's goal, which allowed for population growth of five million people annually, was to double the national income in 15 years. This resulted in an average income of 74 rupees per year by increasing the net income from agriculture by 130%, the net income from services by doubling, and the net income from industry by 500%. The planners knew that this merely meant "securing for our people their bare necessities as human beings" though (Thakurdas et al., 1944, as cited in Hänsel, 2018, p.32).[84] The ISI was embodied with the Act of the Industries (Development and Regulation) in 1951. Industrial licensing (license raj) under the Act promoted investment to "socially desired directions" (Ahluwalia, 1998, p.262). The industrial licensing system aimed to direct investment into priority industries as determined by the planning.

As a state project, India's main "development pattern" was inward-oriented capital goods and heavy/ basic industrial development with planning between 1956 and 1966 (Nayar, 2001, p. 51). Planning aimed "to increase in national income and employment via heavy industry, public sector and self-reliance" (Ahluwalia, 1998, p. 254). In addition to heavy industrialization, agricultural production was a significant aspect of the economic development model. India's pre-independence era is characterized by an agrarian economy, with agriculture as the primary source of livelihood for most of the population. The focus on agricultural development and rural credit remained crucial during the early stages of development planning. Notably, the construction of heavy industries created greater consolidation from the ruling elite compared to agriculture or land redistribution (Kohli, 2004, p. 266). As a result, industrialization emerged as the cornerstone of India's developmental state

[84] Despite Vivek Chibber's opposition to the prevailing analyses, arguing that the Indian capitalist class initiated and supported capitalist planning concerning the Bombay Plan, the Bombay Plan and subsequent plans do not undermine the widely held belief in the support from capitalists for the state project (Chibber, 2006).

strategy. During this period, it would be useful to summarize the extent to which the protectionist policies have influenced the steel and textile sectors in demonstrating the strategic selectivities of the developmental state. For instance, the Tatas initiated the homegrown steel industry in the early twentieth century, and the development of steel became the top priority during the 1950s. Conversely, textile mill production faced high taxes, favouring smaller producers catering to domestic markets rather than competing internationally (Kohli, 2004, pp. 267-269).

Following the trajectory of plans is important in demonstrating the contradictory nature of the developmental state form, as both the formulation and implementation of plans are closely linked to both the international conjuncture and the balance of social forces within India. The main objective of the First Five-Year Plan (1951-1956) was to achieve rapid agricultural and industrial growth, reduce poverty, and promote social welfare. The focus was on increasing agricultural production, developing irrigation facilities, and initiating land reforms. The plan also emphasized investment in steel, coal, and power industries. The plan was a "simple variant of the Harrod-Domar growth model", which assumes "the role of domestic savings" in a closed economy (Ahluwalia, 1998, p. 255). The Second and the Third Five-Year Plans (1956-1961 and 1961-1966) gave the developmental state a form in the policy area. The Second Five-Year Plan aimed to consolidate the achievements of the first plan and accelerate industrialization. It focused on heavy industries, particularly the development of basic industries like iron and steel, chemicals, and machinery. The plan also emphasized education, healthcare, and rural development. The Mahalanobis model underlined the significance of the allocation of investments. The second plan urged for "heavy industry, leadership role for public sector and self-reliance" (Ahluwalia, 1998, pp. 256-259). The Third Five-Year Plan aimed to address inequalities in income distribution and regional disparities. It emphasized the development of agriculture, with an emphasis on improving agricultural productivity and rural infrastructure. The plan also focused on expanding industrial production and reducing unemployment. By following the ideas of developmentalist economists such as Hans Singer and Paul Prebisch, it is aimed to build up infant industries. The government followed an expansionary fiscal policy to finance its development goals. It implemented high tax rates, particularly on personal income and corporate profits, to generate revenue for funding public expenditure. The emphasis was on redistributive taxation to reduce income inequalities. The government established specialized financial institutions, such as the Industrial Development Bank of India (IDBI) and the National Bank for Agriculture and Rural Development (NABARD), to provide concessional finance and credit facilities to priority sectors. The government implemented strict controls on foreign exchange transactions to regulate foreign exchange reserves and manage the balance of payments. Industrial Credit and Investment Corporation of India Limited (ICICI) was established in 1955 (with the encouragement and support of the World Bank), and the Industrial Development Bank of India (IDBI) was established in 1964.

Regarding monetary affairs, the government reinforced its oversight of the banking sector, thus expanding its authority over resource mobilization. The nationalization of the Imperial Bank in 1955 resulted in the establishment of the State Bank of India. Similarly, in 1956, insurance companies underwent nationalization and amalgamation into the Life Insurance Corporation of India (Joshi & Little, 1994). Like the impact of the industrial licensing regime on private capital, the Banking Companies Act of 1949 granted the Reserve Bank of India (RBI) authority to regulate the establishment of new banks and bank branches, conduct audits of banking company accounts, and prevent the closure of licensed banks (McCartney, 2009, p. 95). The transfer of resources from agriculture to the non-agricultural sector, i.e. capital-intensive sectors such as steel, chemicals, and power, did not give the expected result (Corbridge et al., 2013). Although "the general index of industrial production rose from 139 in 1955/6 (1950/1 as a base) to 194 in 1960/1"[85], in 1965 and 1966, monsoons created an agricultural crisis in addition to "the needed increase in the production of consumer goods did not materialize" (Chakravarty, 1987, pp. 16-17). The war started with China in 1962, and Nehru died in 1964. The planning was suspended in 1966-1969.

[85] "Considerable though less spectacular growth was observed in iron and steel and chemicals. However, a very discordant note was struck by cotton textiles, which rose from 128 to only 133 in 1960/1. Even after allowing for differences in the base lines of different industries as well as differences in coverage, these figures seem to indicate disproportionate growth of the heavy industries sector, which was more striking than the planners may have initially bargained for. However, of more immediate concern for the planners was their underestimation of the imports needed to achieve the process of transition to self-reliant growth." (Chakravarty,1987, pp. 19-20).

The developmental state project coincided with the independent state-building process in India. Thus, the main forms of intervention in the economy, which are planning, licensing and fiscal controls, are aimed at achieving economic development via industrialization and tackling bugaboos of the Indian economy. In other words, industrial policy was given priority treatment to “catch up” with developed countries in terms of growth and development. Due to the colonial past and the long march towards independence, industrialisation focused on domestic capital accumulation rather than being export-oriented.

According to Rahul De’s calculations, under the public-sector-led heavy industrialization policy, India registered a growth of 3.66 per cent, exceeding by a considerable margin the growth rate observed during the early 20th century under colonial governance. The surge in economic performance was predominantly attributed to the industrial sector, which expanded at a notably higher rate of 6.1 per cent compared to the overall GDP growth. The growth of the industrial sector was primarily fuelled by investments from the public sector and government spending. Investments experienced a yearly growth of 6.8 per cent. During this period, the government’s contribution to investments rose from 28 per cent to 50 per cent, underscoring the escalating significance of public investments in the economic landscape (De, 2024, pp. 58-60). It is crucial to underline that the developmental state project in India was not a strategy developed against private investments. Rather, public investments were restructured with the expectation that private capital, especially large business houses, would increase their investments over time, thereby modernizing the economy through industrialization.

2.3.2. Capitalist Accumulation under Socialist Rhetoric[86]

The war with China in 1962 and Pakistan in 1965 increased the expenditure on defence immensely. The monsoon season, which is the lifeblood of Indian agriculture, experienced severe droughts during the years 1965 and 1967. This period

[86] The words “socialist” and “secular” were incorporated in the Preamble of the Constitution by the 42nd Amendment in 1976. The change was enacted during the tenure of Prime Minister Indira Gandhi during the period of Emergency (1975-1977). The words were added to the Preamble to emphasise Indira Gandhi’s commitment to socialism and burnish her pro-poor image.

of inadequate rainfall led to significant challenges for central planning in India, both in terms of public financing and rural production. The droughts disrupted agricultural output, leading to food shortages and necessitating increased imports. Importing food grains (particularly from the US) increased the current account deficit. This situation exposed the vulnerabilities in the agricultural sector and highlighted the limitations of the existing central planning mechanisms in general. Thus, the crisis underscored the need for more resilient and adaptive agricultural policies and emphasized the importance of diversifying the economy to reduce dependency on monsoon rains. The crisis coincided with Nehru's death in 1964.

The decision to devalue the rupee in 1966 was taken under these circumstances. For Nayar, this is the beginning of liberalization in India: "…soon tiring of providing vast amounts of aid with no end in sight, the US successfully pressured India into devaluation in 1966 as part of a liberalisation package" (Nayar, 2006, p. 1886). The daughter of Nehru, Indira Gandhi, came to power by gaining a harsh leadership struggle within the Congress with the support of the left bloc in the party in 1966.[87] The developmental state project of India started to diverge from the Second Five-Year Plan, mainly in terms of agricultural policy, in the 1970s. The "agricultural stagnation" was the main issue in the Fourth Five-Year Plan, adopted in 1969, under the intellectual guidance of D. R. Gadgil, a prominent economist renowned for his profound understanding of Indian agricultural challenges (Byres, 2005, p. 86). The New Agricultural Strategy (NAS) was publicized in the plan (De, 20224, p. 73).

The wars and monsoon-related agricultural challenges mentioned in the mid-1960s appeared to create a unique crisis within the Indian model of ISI. However, as Terence Byres argued, the difficulties and crises experienced by India were part of a broader pattern of challenges faced by less developed countries internationally, and the solution again was not unique to India in that it was the entrance of "new technology" in agriculture.

> By the mid-1960s, a crisis was looming in Less Developed Countries: in essence, an accumulation crisis -a crisis not of over-accumulation but of under-accumulation (an

[87] India was led by Prime Minister Lal Bahadur Shastri, who was a moderate political leader between 1964 and 1966. After Shastri's sudden demise in January 1966, Indira Gandhi became the Prime Minister and continued to serve until 1977.

> insufficiency of the means of production). By the early 1970s, a response to that crisis had been made. The 'new technology' (a combination of new biochemical inputs, such as new high-yielding seeds, and new mechanical inputs, most notably tractors) was introduced in the countryside from the late 1960s onwards, with its massively 'betting-on-the-strong' bias. It was in full swing by the early 1970s and brought with it a powerful intensification of processes of primitive accumulation in the countryside. It started in Asia (very powerfully in India) and spread to countries throughout Africa and Latin America. (Byres, 2005, p. 83)

The boosting technology policies in agriculture was called the Green Revolution. It was characterized by the widespread adoption of high-yielding varieties (HYVs) of seeds, increased use of chemical fertilizers and pesticides, and the introduction of new irrigation techniques. The changes were listed as:

> 1. a shift in emphasis from 'major' to 'minor' irrigation works, which implied largely a shift from publicly financed large irrigation projects to small tube wells and energized pump sets;
> 2. adequate provision of 'credit' to those who were considered to be credit-worthy, which in effect meant the large farmers;
> 3. an alteration in the input base of agriculture, which meant an increase in the rate of fertilizer consumption along with commercial sources of energy, such as electricity and diesel oil; and
> 4. the development of fertilizer-sensitive varieties of grains. (Chakravarty, 1987, pp. 24-25).

The liberalization of agriculture increased agricultural production and simultaneously upsurged private investment in the sector (Frankel, 2005). Agricultural credits were predominantly utilized by large farmers who already possessed fertile and vast lands. In addition to the absence of radical land reforms, the Green Revolution deepened inter-class conflicts in rural India. The Rudolphs differentiate agrarian classes as "agricultural labourers, small-holders, bullock capitalists and large landowners (Rudolph & Rudolph, 1987, p. 335). As discussed in the beginning, the rural question has become one of the main bugaboos for India's developmental state. The other bugaboo, which is poverty, tried to be tackled with measurements under socialist rhetoric, with the nationalization of banks being the most prominent.

Indira Gandhi's Ten-Point Program comprised "the social control of banks, nationalization of insurance, nationalization foreign trade, limits on urban incomes and property, tightening controls on large firms, and an end to the privileges and privy purses of the former rulers of princely states" (Bhagwati & Panagariya, 2013, pp. 12-13). The speech, which was given on 21 July 1969 in the Lok Sabha, shows the motives behind these measures. Gandhi underlined the significance of financial institutions, stating that the government nationalized the insurance business and the Imperial Bank of India over a decade ago and established other public sector institutions to provide medium- and long-term financing for industry and agriculture. The nationalization of major banks is highlighted as a significant step in exerting public control over key financial institutions, ensuring that people's savings are mobilized and directed towards productive purposes (Batabyal, 2007, p.596). Bank nationalization was necessary for the success of the Fourth Five-Year Plan for Gandhi, who clarified: "…public ownership will also help curb the use of bank credit for speculative and another unproductive purpose. By severing the link between the major banks and the bigger industrial groups which have so far controlled them, the government believes that the step they have taken will also bring about the right atmosphere for the development…" (ibid, p. 598).

At this point, it is necessary to open a parenthesis. The transformation in agriculture and the nationalization of banks were not unique to India. Another developing country, Mexico, pursued similar policies, though not with complete overlap. The Mexican government undertook the nationalization of banks in 1982, aiming to stabilize the financial sector and exert greater control over the economy. However, while both countries sought to enhance agricultural output and secure financial systems through nationalization, the specific contexts and outcomes varied, influenced by distinct political, social, and economic landscapes (Marois, 2012, pp.59-60).

The motive of "severing the link between the major banks and the bigger industrial groups" was supported by further policies that aimed to curb big capital groups' power. The Monopolies and Restrictive Trade Practices Act of 1969 imposed restrictions on business expansion based on asset size, while the Industrial Licensing Policy of 1970 limited certain industrial houses to "core" industries. For Nayar, these anti-monopolistic measurements constrained the most productive and investment-capable private sector. The government further enforced equity reduction for foreign firms through the Foreign Exchange Regulation Act of 1973 (Nayar, 2006, p. 1886).

The Fourth Five-Year Plan (1969-1974) aimed to achieve self-sufficiency in food production and promote stability in prices. The plan focused on the Green Revolution, which aimed to increase agricultural productivity through the use of high-yielding varieties of seeds, irrigation, and modern agricultural techniques. It also emphasized employment generation and poverty alleviation. In 1969, the government nationalized 14 major private banks, primarily targeting the dominant private banks and aiming to extend banking services to underserved areas. The government introduced the concept of priority sector lending, which mandated banks to allocate a specific portion of their lending to sectors such as agriculture, small-scale industries, and weaker sections of society. This policy aimed to promote equitable growth, support rural development and ensure credit access for marginalized segments.

The plan did not work because the government faced increasing inflation and the issue of balance of payments in the early 1970s. In the period, the manufacturing sector also experienced a growth rate of less than 4 per cent, a figure that was notably inferior to the already declining rates witnessed in the latter half of the 1960s (Nayar, 2006, pp.1886-1887). Severe droughts in 1972 and 1974 impacted agricultural output, resulting in an average growth rate of merely 1.5 per cent for the first half of the 1970s (ibid.). The country encountered widespread food shortages, and increased prices again. The oil crisis of 1973 hardened India’s economic situation in these circumstances. The inflation-reducing measures implemented in July 1974 led to a retreat from the anti-big business pro-sub-class rhetoric.

The Fifth Five-Year Plan (1974-1979) was formulated in the backdrop of an economic crisis and focused on promoting stability and self-reliance. The plan emphasized energy conservation, improving agricultural productivity, and reducing regional imbalances. It also aimed to enhance employment opportunities and strengthen infrastructure development. The focus of heavy industrialization of the previous period turned into the focus on food production and energy (Chakravarty, 1987, p. 38). In the second half of the 1970s, the government transitioned towards licensing for export-oriented industries to facilitate the import of raw materials and components necessary for their operations (Nayar, 2006). The easing of the licensing regime was another shift in the country's developmental state project. Furthermore, the government opted to relax the rules surrounding the provision of financial resources to the export sector by offering loans at lower interest rates.

In 1979, the Indian economy faced a severe downturn, experiencing its most significant crisis since independence. This period was marked by a substantial decline in the GDP growth rate, which fell by 6 per cent (De, 2024, p. 91). The crisis had far-reaching implications across various sectors, necessitating policy interventions to mitigate the adverse effects and restore economic stability. In response, the Indian government initiated negotiations with the IMF, securing the largest loan (Figure 2.1) in its history, contingent upon implementing a series of reform measures. Notably, the conditionalities associated with the IMF loan, which were integrated into the Sixth Five-Year Plan, reflected a unique approach whereby the Indian government formulated "home-grown conditionality" (Chaudhry et al., 2004).

Facility	Date of Arrangement	Expiration Date 4/	Amount Agreed	Amount Drawn	Amount Outstanding
Standby Arrangement	Oct 31, 1991	Jun 30, 1993	1,656,000	1,656,000	19,250
Standby Arrangement	Jan 18, 1991	Apr 17, 1991	551,925	551,925	0
Extended Fund Facility	Nov 09, 1981	May 01, 1984	5,000,000	3,900,000	0
Standby Arrangement	Mar 22, 1965	Mar 21, 1966	200,000	200,000	0
Standby Arrangement	Jul 09, 1963	Jul 08, 1964	100,000	0	0
Standby Arrangement	Jul 09, 1962	Jul 08, 1963	100,000	25,000	0
Standby Arrangement	Mar 11, 1957	Mar 10, 1958	72,500	72,500	0
		Total	7,680,425	6,405,425	19,250

Source: The IMF [88]

Figure 2. 1. History of Lending Commitments of India

The period started with an economic crisis in the mid-1960s and ended with another in the early 1980s. The way of overcoming the crisis was the devaluation of the rupee in 1966 and the acceptance of the IMF loan in 1981. The developmental state lost its hegemonic nature- in Sudipta Kaviraj's words, "a structural crisis of the capitalist strategy of development" reflected a crisis in "the reproduction of the basic dynamics of the system" (Kaviraj, 1986, p. 1707)- as a state-formative state project

[88] https://www.imf.org/external/np/fin/tad/extarr2.aspx?memberKey1=430&date1key=2000-05-31 .

between these two events. However, there was no complete replacement for the previous state project. Instead, the 1980s marked a transitional phase towards a neoliberal developmental state, where neoliberal reforms began to take shape, setting the stage for the more extensive economic liberalization that would occur in the 1990s. This shift reflected a reorientation of state projects in line with the neo-liberalization of development targets, strategically selecting pro-capital intervention in the economy.

2.4. Neoliberal Developmental(ist) State

Each concept and its corresponding definition evolve, strengthen or lose its relevance and(or) explanatory power over time, gaining different content and scope across historical periods. Particularly since the 1980s, neoliberalism[89], which signifies the fundamental intervention of new right policies (apart from initiated or led by social democratic parties or right parties) in state-society-market relations, has been extensively debated by a broad academic literature as the most significant operational concept set in the critical political economy over the past 40 years. From “the Western epistemology” (Connell & Dados, 2014), the neoliberal project had philosophical and ideological roots in the 1930s, but more specifically, the Mont Pelerin Society, a group of intellectuals who promoted liberal principles, advocating for a free-market economy, “limited” government intervention, and individual liberties as essential components of a society. The ideological opponents were the interventionist economies of Soviet socialism, the Keynesian “compromise”[90], and Third World developmentalism in the 20th century. These ideas were integrated into economic and political formulations by politicians in the 1970s, which were years of the stagflation crises of the world economy.

Here, to define neoliberalism not merely as a bunch of ideas or a method of economic intervention but in a broader context contributes to understanding the political-economic aspect.

[89] Fine, B. & Saad-Filho, A. (2017) for a good overview from different dimensions.

[90] The Keynesian “compromise”, as Gérard Duménil and Dominique Lévy discussed, refers to the post-World War II economic and social policies that emerged primarily in Western capitalist countries. This compromise was characterized by the incorporation of working-class demands into the capitalist system (2005, p.9).

> Neoliberalism is a political project that is intended to extend the logic of exchange-value within the profit-oriented, market-mediated economy and to extend market forces and economic calculation into spheres of social life where they were absent before (primacy of the economic) but the pursuit of this project depends on integrating neo-liberalism **not only into accumulation strategies but also into state projects and hegemonic visions, which requires both struggle for hegemony and control over the state apparatus (primacy of the political)**. (Jessop, 2016, p. 903)

However, it has been questioned even within the circles of the IMF and the WB[91] after the 2008 financial crisis, the project has been a hegemonic political and economic project worldwide since the 1980s. Neoliberalism, often portrayed as favouring market and private interests over state intervention, instead serves as an ideology promoting “the re-establishment of power and income for the upper fractions of the ruling classes after a setback”, functioning as its own form of “social order” (Duménil & Lévy, 2005, p. 9). Whereas the portrayal, the form of intervention of the state has not disappeared but changed in neoliberalism. In other words, the neoliberal project is “the systematic use of state power to impose, under the veil of ‘non-intervention’, a hegemonic project of recomposition of the rule of capital in most areas of social life” (Saad-Filho & Yalman, 2010, pp. 1-2). Thus, the state’s monopoly use of violence has been framed with individual private property rights, the rule of law, and the institutions of freely functioning markets and free trade (Harvey, 2005, pp. 64-65). The neoliberal project comprises a series of new regulations that govern the functioning of capitalism with the state’s invisible hand.

In the periphery, the Latin American debt crisis process became the symbol of the neoliberal transition. The countries that were indebted in the 1960s and 1970s were harshly affected by the rise in real interest rates in 1979 because their trade term was poorly affected, in addition to the lowering prices of raw materials, such as Mexico, Argentina, and Brazil (Duménil & Lévy, 2005). For the Global South, neoliberalism has become “a development strategy displacing those hegemonic before the 1970s” under the rhetoric of the failure of the previous model (Connell & Dados, 2014, p.

[91] IMF economists put ‘neoliberalism’ under the spotlight, https://www.ft.com/content/4b98c052-238a-11e6-9d4d-c11776a5124d
‘Neoliberalism’ and its excesses: After a sudden cloudburst of controversy, clear IMF insights on the 'disquieting' drawbacks of free-market dogma,
https://blogs.worldbank.org/en/psd/neoliberalism-and-its-excesses-after-sudden-cloudburst-controversy-clear-imf-insights-disquieting
Neoliberalism: Oversold? https://www.imf.org/external/pubs/ft/fandd/2016/06/pdf/ostry.pdf

117). Alfredo Saad-Filho elaborates on the failure rhetoric: “Neoliberalism implies that the main reason why poor countries remain poor is not because they lack machines, infrastructure or money (as used to be generally accepted by economists) but, rather, because of misconceived state intervention, corruption, inefficiency and misguided economic incentives. Neoliberals also claim that international trade and finance- rather than domestic consumption - should become the engines of development” (Saad-Filho, 2005, p. 114).

The market has gained momentum as a main prerogative of the development strategy in neoliberalism (ibid., p.118). To grasp how the neoliberal strategy “institutionalized framework of the state policy” (ibid., 122) is significant that it is “not only into accumulation strategies but also into state projects and hegemonic visions, which requires both struggle for hegemony and control over the state apparatus” (Jessop, 2016, p. 903). In the Global South, neoliberalism is about integration into the world market, the strategies of developmental states, and their macroeconomic policy preferences (Table 2.1) for the sake of economic growth. The neoliberal orthodoxy proposed a new development model based on the primacy of market mechanisms, outward orientation, and the idea of a minimal state that primarily focused on creating an enabling environment for market forces to operate efficiently (Öniş & Şenses, 2003).

Table 2. 1. The main pillars of “development” strategies in the Global South

Developmentalism	**Neoliberal Developmentalism**

• Structural transformation
• Protecting infant industries
• Technology transfer
• ISI
• Capital controls
• Import licensing
• Planning
• Development Financial Institutions
	• Trickle-down economics
	• Eliminating trade barriers
	• Protecting intellectual property rights
	• Promoting export industries
	• Capital account liberalization
	• Floating exchange rate
	• Fiscal and monetary discipline
	    ✓ Inflation targeting
	    ✓ Prevention of budget deficit
	    ✓ Tax cuts

Source: The author

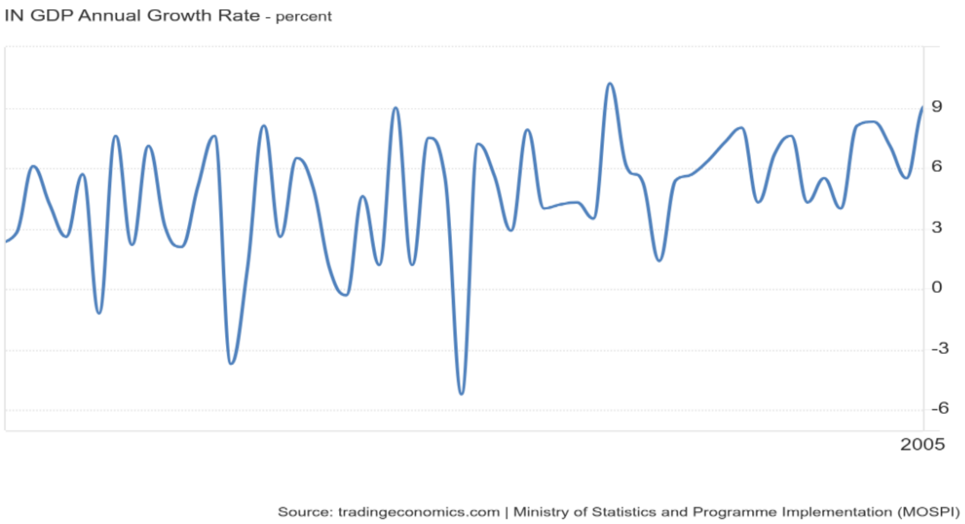
In the previous era, although the industrial base, industrial raw materials and capital goods were diversified, thanks to assets concentrated in the industrial sector, this nature of the market limited mass consumption and public expenditure stimulated the growth in the early 1980s in India (Chandrasekhar & Ghosh, 2002). Apart from the industrial sector, the Indian economy was vulnerable to monsoon conditions for agricultural production, and as an oil importer country, oil shocks in the 1970s also worsened the budget. The 1981 IMF loan has been used to reverse the conditions of the capital accumulation process with different strategic selectivities through the 1980s.

Atul Kohli connotates the liberalization efforts of the 1980s as "pro-business" rather than "pro-market", and similarly, Matthew McCartney argues that "liberalisation initially implied a gradual dilution of efforts to achieve self-sufficiency" (Kohli, 2004, pp. 277-278; McCartney, 2005, p. 238). Even so, the Sixth Five-Year Plan (1980-1985) ended the developmental state in the Nehruvian sense. The government relaxed crucial limitations like licensing and restrictions stipulated in the Monopolies and Restrictive Trade Practices (MRTP), thereby paving the way for large corporations to enhance their presence in key sectors such as chemicals, pharmaceuticals, ceramics, and electricity production (Kohli, 2006a). After the assassination of Indira Gandhi in 1984, Rajiv Gandhi came to power with the majority government, and Manmohan Singh became the Deputy Chairman of the Planning Commission.[92] To stimulate more lavish consumer spending, the government reduced direct taxes, which aimed to boost economic growth. This strategy also included incentivizing businesses to invest in consumer durables. The period is also known as the Telecom Revolution, when investment in industries based on emergent technologies such as electronics, software, computers, and automobiles was supported (De, p.99). In the early 1980s, there was a notable increase in economic growth (Figure 2.2), marking the conclusion of a period of stagnation that had lasted for a decade (Sirohi, 2019, p.139).

From the 1970s to the 1990s, India's GDP growth rate experienced significant fluctuations and notable trends. The 1970s were marked by dramatic declines,

[92] The Congress, led by Rajiv Gandhi, initially secured 404 out of 514 seats and an additional 10 seats in the postponed elections.

particularly during the mid-1970s and late 1970s, coinciding with the global oil shocks of 1973 and 1979. This period saw the GDP growth rate plummet, reflecting considerable economic instability. In contrast, the 1980s exhibited gradual and steady growth, with the GDP growth rate increasing consistently. This decade saw substantial improvements, with the growth rate soaring in the late 1980s. The early 1990s began with a decline.



Source: The Ministry of Statistics and Programme Implementation (MOSPI)

Figure 2. 2. India GDP Annual Growth Rate (1952-2005)

Table 2. 2. The troughs of the GDP growth rate

The year	The decrease
1957	-1.2 %
1965	-3.7 %
1972	-0.3 %
1979	-5.2 %
1991	1.4 %

Source: The author based on The Ministry of Statistics and Programme Implementation (MOSPI)

Prabhat Patnaik and C.P. Chandrasekhar provide a cohesive narrative on the trends in India's GDP growth rate and the impact on its manufacturing sector in developmental state era.

> After 15 years of rapid industrial expansion in the 1950s and the early 1960s, there was a dramatic decline in the rate of manufacturing growth during the next 15 years.

> Even though the growth-rate picked up somewhat in the early 1980s, it was still nowhere near the rates witnessed in the first 15 years of planning. It is only after the mid-1980s that a pronounced boom occurred once again in the manufacturing sector of the Indian industries, to be followed by the adjustment-induced recession of the 1990s. The fact that the 15 years after the mid-1960s which were characterised by a relative stagnation in manufacturing output also witnessed a decline in the rate of growth of public investment compared to the earlier period is well known. (Patnaik & Chandrasekhar, 1995, p. 3006).

Figure 2.2 shows significant volatility in India's GDP growth rate from the 1950s to the early 2000s, with notable troughs and peaks. Table 2.2 highlights explicitly troughs in the years 1957, 1965, 1972, 1979, and 1991, which align with periods of economic difficulty. Patnaik and Chandrasekhar argue that after a rapid industrial expansion in the 1950s and early 1960s, India experienced a decline in manufacturing growth over the next 15 years. This is corroborated by the significant drops in GDP growth in 1965 and 1979, reflecting broader economic stagnation. They note a slight recovery in the early 1980s, which is evident in the graph, but it was not until the mid-1980s that a pronounced boom in manufacturing reoccurred. The adjustment-induced recession of the 1990s, marked by a trough in 1991, further supports their argument. The periodic downturns in GDP growth reflect the underlying structural issues within the Indian economy during these phases.

After these "reforms by stealth" (Jenkins, 1999) circumstances in the 1980s, the official declaration of neoliberal policies in India is mainly referred to as "economic reforms", and "the New Economic Policy (NEP)" came in 1991 (Das, 2020, p. 125). As Finance Minister of the Narasimha Rao government, Dr Manmohan Singh declared the "structural adjustment" of the Indian economy in the budget speech in 1991. Before the declaration, India has already had many loan applications from the IMF. The July 1991 application is an exception in terms of the IMF conditionalities being publicly expressed. This is the period of leaving behind "stealth liberalization" for the sake of explicit liberalization. Indian economy suffered from paying back the 1981 IMF loan, an excessive amount of private international bank loans, and the Gulf crisis, which led to an increase in the cost of oil imports and the outflow of non-resident Indian funds to East Asia between 1990-1991 (Dasgupta, 2005, p.17). India's macroeconomic variables are under the "fiscal deficit" problem. Indian government accepted the IMF's "anticipatory conditionalities". The policies known as the NEP fulfilled the Washington Consensus' expectations in many respects.

The balance of payments crisis in 1991[93] transformed into a phenomenon that legitimized the unnamed neoliberal policies of the 1980s, declaring India's transition to neoliberalism as an inevitable phenomenon. The process, which had started in 1991, became "a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the private sector including foreign investment, and a restructuring of the role of government" (Ahluwalia, 2002, p. 67). The so-called reforms mainly changed the developmental state's industrial, trade, and financial policies under the Liberalization, Privatization, and Globalization rubric, known as LPG. Finance Minister Manmohan Singh's 1991-1992 Budget Speech underlined the need for neoliberal reforms as such:

> our planning processes must be sensitive to the needs of a dynamic economy. Over centralisation and excessive bureaucratisation of economic processes have proved to be counterproductive. We need to expand the scope and the area for the operation of market forces. A reformed price system can be a superior instrument of resource allocation than quantitative controls. But markets can only serve those who are part of the market system.
> For the creation of wealth, we must encourage accumulation of capital. This will inevitably mean a regime of austerity. We have also to remove the stumbling blocks from the path of those who are creating wealth. At the same time, we have to develop a new attitude towards wealth. In the ultimate analysis, all wealth is a social product. Those who create it and own it, have to hold it as a trust and use it in the interest of the society, and particularly of those who are under-privileged and without means.[94]

Singh's speech welcomed neoliberal transformation as a common good and solely as a changing routine from a previous development path.[95] According to Arvind Panagariya, "the 1990s reforms (Table 2.3) were qualitatively different from those in

[93] Finance Minister Manmohan Singh's 1991-1992 Budget Speech underlines the fiscal deficit of the Central Government, "which measures the difference between revenue receipts and total expenditure, is estimated at more than 8 per cent of GDP in 1990-91, as compared with 6 per cent at the beginning of the 1980s and 4 per cent in the mid-1970s", the current account deficit and inflation. https://www.indiabudget.gov.in/doc/bspeech/bs199192.pdf

[94] Ibid.

[95] The speech is very interesting as an early screening of the forthcoming legitimation crises of the neoliberal strategy for particularly "under-privileged and without means". Sing's Prime Ministry period under the UPAI- UPAII governments from 2004-2014 mainly was about that.

the 1980s in that they represented a broad acceptance of the idea that entrepreneurs and markets were to be given priority over the government in the conduct of economic activity and that government interventions required proper justification rather accepted by default" (2004, p. 7). The main qualitative difference was the dramatic change in industrial and trade policies (McCartney, 2005). In the neoliberal era, macroeconomic outlook measurement parameters have also radically changed that "trends in the fiscal deficit, current-account deficit and foreign-exchange reserves, tariff reductions, the share of imports plus exports in GDP, and the level of foreign direct investment" have become the "success" parameters (McCartney, 2015, pp. 239-240).

Table 2. 3. The 1991 neoliberal measurements

Industrial Policy	The "Statement of Industrial Policy" (July 24, 1991) abolished investment licensing and entry restrictions on MRTP firms ended public sector monopoly in some sectors (exceptions: defence aircraft and warships, atomic energy generation and railway transport) initiated a policy of automatic approval for foreign direct investment of up to 51 per cent
Measurements on foreign investments	Abolishment of the threshold of 40 per cent on foreign equity investment The automatic approval of foreign direct investment up to 100 per cent is given in all manufacturing activities in Special Economic Zones (SEZs) except those subject to licensing or public sector monopoly. Foreign direct investment (FDI) of up to 74 per cent in private banks is permitted under the automatic route. The infrastructure sector was liberalized. FDI up to 100 per cent under automatic route is permitted in projects for construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular tunnels, ports, and harbours
Trade Policy	Import licensing on intermediate inputs and capital goods was repealed (except consumer goods)[96] The Marrakesh GATT Treaty was signed in 1994 India became one of the founding members of the WTO in 1995

[96] It was changed on April 1, 2001.

Table 2.3. (continued)

Monetary measures and financial sector	Flexible exchange rate regime (1993) Liberalization of portfolio investment (1993) Freeing of interest rates Reduction in statutory liquidity and cash reserve ratios Introduction of capital adequacy norms The establishment of the Securities and Exchange Board of India (SEBI) as a statutory regulatory agency (1992)

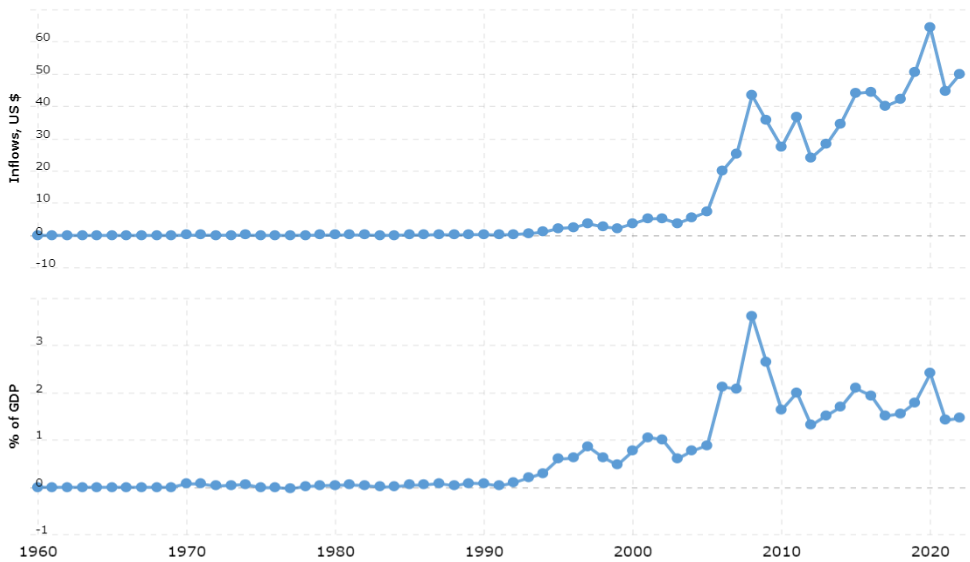
Source: Various sources (mainly Panagariya, 2004; Kohli, 2004; Ahluwalia, 2002; Das Gupta, 2005)

Table 2.3 shows aspects of neoliberal policies in India's industry, trade and finance sectors. The neoliberal economic restructuring occurred in response to the balance of payment crises in 1991 under the IMF conditionality. Although the year became a "the point of no return" momentum (Jessop, 2019), the crises became an excuse for the acceleration of the liberalizations dating back to the late 1970s and 1980s. Under the P. V. Narasimha Rao government and the finance ministry of Manmohan Singh, India consolidated neoliberal reforms between 1991 and 1996. The consolidation laid upon the increasing growth rates and mainly political stability i.e. restructuring without the regime change. It is significant that the neoliberal project created an environment for state governments to compete and attract investments (Adnan, 2014). In a federative state like India, neo-liberalisation created different neoliberal models of state governments, such as the Punjab, Kerala, Gujarat, and Tamil Nadu.

In C.P. Chandrasekhar's words, "Indian capitalism was to be uncaged, the animal spirits of capitalists unleashed, the inflow of foreign capital enhanced, exports success ensured, and growth accelerated"[97] in the period. The economic growth experienced in the 1990s can be attributed to the notable increase in the export of services, the rise in luxury consumption, as well as the surge in non-agricultural investment, all of which played pivotal roles in driving the growth of the economy during that decade (De, 2024, p.119). According to the IMF, during the early 1990s, India received half the amount of FDI as Korea, but by 1995-98, India almost matched Korea with $2.7 billion in FDI compared to Korea's $3.1 billion. India's

[97] Indian neoliberalism: A toxic gift from global finance https://frontline.thehindu.com/cover-story/indian-neoliberalism-economic-reforms-at-30-a-toxic-gift-from-global-finance/article36290562.ece .

growing FDI inflows are evident in the FDI per $1,000 of GDP ratio, which quadrupled from 1993 to 1997, making India a more attractive FDI destination than Korea during 1993-97.[98] Figure 2.3 shows the FDI increase in India in the neoliberal developmentalist period.



Source: World Bank[99]

Figure 2. 3. India Foreign Direct Investment 1960-2024

Another important node of the neoliberal transition is the decrease in public expenditure. The total expenditure by the Central Government decreased from 15.39% in 1991-1996 to 14.70% in 1997-2002, indicating a general decrease in government spending during the 1990s (Guha Thakurata, 2024). In 1978, most of the investment in the Indian economy, approximately 80 per cent, was directed towards the public sector, particularly in the realm of industrialization. However, by 1998, the public sector's share of total investment had reduced significantly, accounting for only around 40 per cent (Corbridge, 2011, p. 69 from Sinha, 2004).

Vamsi Vakulabharanam empirically shows that inequality has increased in reverse of the trickle-down approach of neoliberal developmentalism (2010). Another empirical study by Saswata Guha Thakurata (2024) shows that the Indian state played a

---

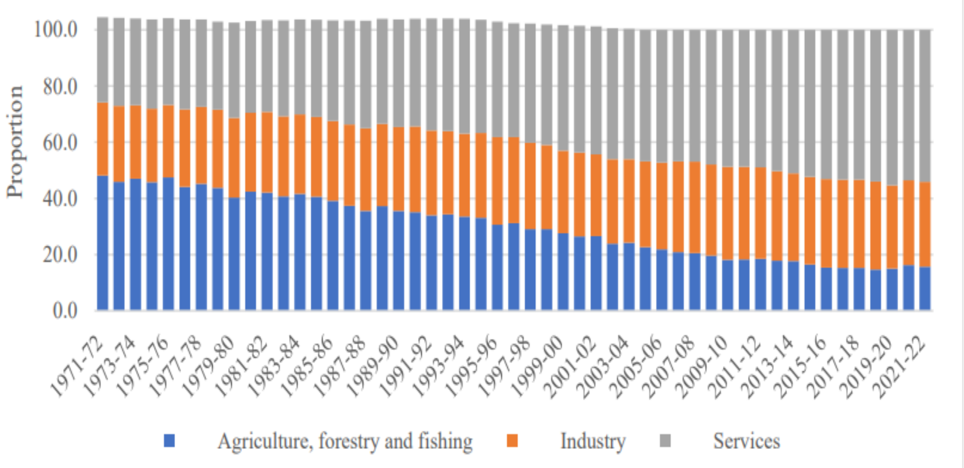
[98] International Monetary Fund. External Relations Dept, UNCTAD press release: FDI flows to India expanded in the 1990s https://www.elibrary.imf.org/view/journals/023/0029/007/article-A009-en.xml

[99] https://www.macrotrends.net/global-metrics/countries/IND/india/foreign-direct-investment .

significant role in the economic growth of the 1980s and continued to be important during neoliberal reforms thanks to state policies that allowed private corporations to reinvest more of their profits, with estimates showing a significant amount of revenue forgone during a specific period. The government's establishment of the National Stock Exchange facilitated financing for private sector expansion, enabling corporations to access capital for their operations. Additionally, tax breaks provided by the state further supported private corporations by reducing their tax burdens and allowing them to reinvest more of their profits into their businesses. Kanta Murali underlines two key elements of the 1991 reforms that played a crucial role in stimulating the involvement of the private sector in the economy and, consequently, heightened the structural influence of capital. Initially, the private sector received permission to participate in industries that were previously exclusive to the public sector (Table 2.3). This move signified a tectonic shift in the economy, allowing for animal spirits of the market to compete. Furthermore, a more critical development was the near eradication of the licensing system, leading to increased fluidity of capital. By removing the licensing system, the authority over investment location decisions shifted away from the state. The private sector's scope of operation enlarged, and the "structural power" also shifted to private actors (Murali, 2019, p. 31).

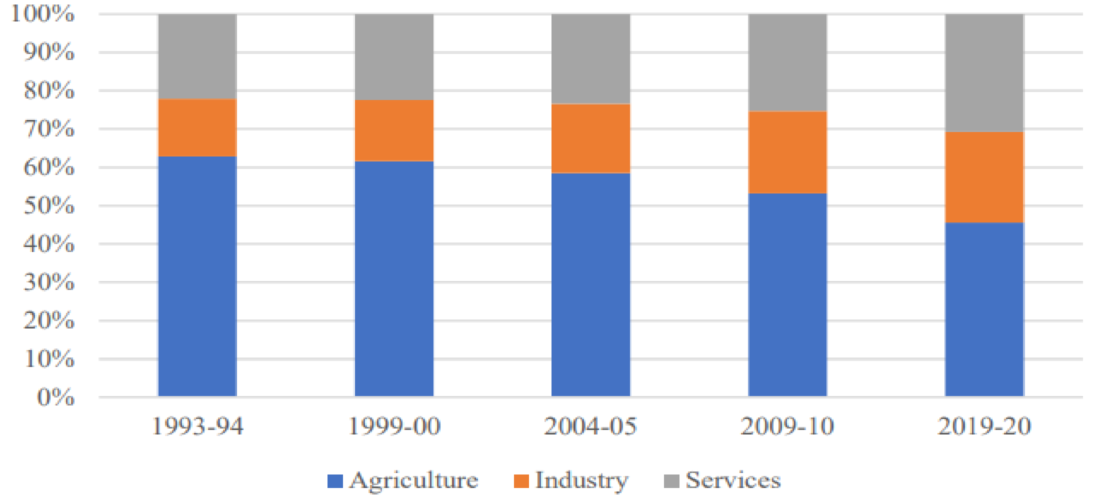
Briefly, the restructuring of the Indian state as a neoliberal developmental(ist) project targeted fulfilling a developmental model by the changing balance of social forces on behalf of capital and integrating the Indian economy into the world market in the 1990s. Sumercan Bozkurt-Gungen's (2023) emphasis is significant in reminding us that neoliberalism is a development approach that prioritizes wealth creation and capital accumulation by removing collective restrictions and shifting social and ecological costs away from wealth and capital owners. At the same time, it formulates policies for improved living standards and social mobility to labouring classes through "business-friendly" regulations and affordable consumer goods, supported by policies like cash transfers and credit access to aid low-income households. The prioritization of economic growth as a primary objective of the state is often accompanied by a focus on supporting large corporations over small and medium-sized enterprises to realize this objective, along with the implementation of measures to regulate and control labour as an essential component of this overarching strategy (Kohli, 2006a, p.1255). As a result, the neoliberal development strategy and "the third-party system" unsurprisingly coincided in India. The third-party system emerged from 1989 to 2014 due to the fragmentation of traditional voter bases, the rise of new regional parties, the federalization of national politics, and the gradual formation of a Hindu voting bloc (Yadav, 2014).

The changing nature of investments affected the sectoral division of labour. The service sector has become the driver after the liberalisation and privatisation reforms of the 1990s (Figure 2.4). As a result, there has been a marked transformation in both employment patterns and economic output across various sectors. Initially, agriculture dominated both employment and Gross Value Added (GVA), reflecting a largely agrarian economy. However, from 1993-94 onwards, the share of employment in agriculture began to decline significantly, dropping from over 60% to around 40% by 2019-20. Simultaneously, the GVA contribution of agriculture also fell sharply from around 40% in 1971-72 to approximately 15% in 2021-22. In contrast, the services sector experienced substantial growth (Chandrasekhar & Ghosh, 2002, p. 81). The sector's share in employment rose consistently, surpassing both agriculture and industry to become the largest employer by 2019-20. Similarly, the services sector's GVA share surged dramatically from the early 1990s, reaching over 50% by 2021-22. This dual shift highlights the economy's structural transformation towards a more service-oriented framework, accompanied by a corresponding decline in the agrarian base, typical of many developing economies.



Source: MOSPI

Figure 2. 4. Share in Gross Value Added



Source: NSO

Figure 2. 5. Sector Wise Employment

Under these conditions, the political turmoil has continued since the 1998 elections brought the National Democratic Alliance (NDA), led by the BJP, to power in India amid challenging economic conditions marked by slowed growth (under the influence of Asian financial crises), industrial crises, and regional financial instability (Nayar, 2015). Despite initial international sanctions following nuclear tests, the government under Atal Behari Vajpayee pursued extensive economic reforms, embracing LPG contrary to its protectionist past (ibid.). These reforms included liberalizing the insurance sector, foreign exchange markets, fiscal policies, the electricity sector, indirect taxation through VAT, and foreign trade, alongside significant advances in telecommunications and infrastructure (ibid.). This period saw a GDP growth rate, nearing the ambitious target of 8% by increased savings and investments (Figure 2.2).

The initial instance of privatization also took place in 1999 when Hindustan Lever, an Indian subsidiary of the Anglo-Dutch multinational Unilever, acquired 74 per cent of the shares of Modern Foods India Ltd., a public sector bread-making company employing 2000 individuals, along with complete managerial authority. Subsequently, there were multiple comparable transactions involving the transfer of management in companies including BALCO, an aluminium enterprise; Hindustan Zinc; Computer Maintenance Corporation; Lagan Jute Machinery Manufacturing

Company; various hotels; VSNL, which was formerly the sole provider of international telecommunications services; IPCL, a significant petrochemicals establishment; and Maruti Udyog, the largest automobile manufacturer in India, initially a partnership with Suzuki Corporation, which now holds complete managerial control (Ahluwalia, 2002, p.84).

By 2004, India experienced an economic upturn, with growth rates, robust exports, substantial foreign exchange reserves, a thriving IT sector, and continuing rural distress and rising inequality. Although the NDA lost the 2004 elections, it left behind a growing economy, which the succeeding Congress-led United Progressive Alliance (UPA) government acknowledged as being in condition for sustaining policies.

2.4.1. Neoliberal Developmental State under the UPA (2004-2014)

The growth dynamics created legitimacy issues for popular classes in India. The UPA government, which came to power in 2004, shifted towards a distributive strategy rather than productive economic reform, influenced by factors like electoral considerations, alliance with the Left, and support from civil society groups. The UPA's distributive strategy responded to the perceived failures of the NDA government's reform policies, leading to a course change in economic strategies. The UPA's distributive strategy was politically beneficial, leading to the coalition being re-elected in 2009 and reinforcing their belief in this approach over efficiency-oriented productive reform. Despite challenges like high inflation and growth deceleration, the UPA's success in implementing a distributive strategy showcases the complex dynamics between economic accumulation and political legitimacy (Nayar, 2015).

The UPA government, guided by the Common Minimum Program, focused on welfare schemes like employment guarantees and mid-day meals, emphasizing "economic reforms with a human face" and inclusiveness. The government aimed to implement economic strategies that promoted and reinforced neoliberal principles, such as the establishment of Special Economic Zones (SEZs) in 2006, while also incorporating “new civil liberties and socio-economic entitlements through legally enforceable rights” (Ruparelia, 2013, p. 569). This approach manifested as what Ruparelia (2013) describes as India’s “new rights agenda”. The new legislation based on rights includes the Right to Information (RTI) Act of 2005, the National Rural Employment Guarantee Act (NREGA), the Forest Rights Act of 2006, the Right to Education Act of 2009, and the Right to Food Act of 2013 and the Land Acquisition, Rehabilitation and Resettlement (LARR) Act of 2013. These laws were developed as part of the Common Minimum Programme that the UPA focused its election campaign on, highlighting the importance of achieving growth with a human-centred approach.

The National Rural Employment Guarantee Act, established in 2005 by the Indian Parliament, granted rural Indian citizens the right to work for 100 days annually, setting it apart from previous employment programs. Unlike other programs, the NREGA can only be overturned by another Parliamentary enactment, making it more secure. Despite criticism for underperformance in various states, low labour participation in poverty-stricken states like Bihar, Odisha, and Uttar Pradesh indicates successful resistance from large farmers and construction companies, who oppose the scheme due to its potential to increase rural wages (Mukherji, 2016, p. 229). During the UPA period, there was faster economic growth, higher savings and investment, increased foreign trade and capital inflows, and enhanced infrastructure spending in collaboration with private capital (Ghatak et al., 2014). The welfare-focused policies of the UPA governments do not represent a departure from the neoliberal developmentalist form. As Desai points out, there is a continuity within the neoliberal developmentalist state form.

India’s market transition has been premised on the *disarticulation* of state-led (or Nehruvian) developmentalism, but it has not been replaced by an alternative articulatory project. Indeed, the party that framed the terms of Nehruvian developmentalism was itself responsible for undertaking the first steps to dismantle this legacy. The length that had to be travelled politically is measured by the fact that the two dominant political parties in India, namely the Congress and the Bharatiya Janata Party (BJP), have, despite their differences, moved toward a neoliberal consensus despite prior ideological commitments that opposed it. (Desai, 2015, p. 153).

The decline in economic growth under the UPA government, along with high food prices and corruption scandals, fuelled public dissatisfaction, especially as the growth did not lead to increased employment opportunities but rather a rise in unemployment, causing a feeling of unfulfilled hopes among the popular classes.

2.4.2. Neoliberal Developmental Model of Gujarat

The neoliberal transition created an environment where states compete to attain investments nationally and internationally. The Gujarat Model, under the rule of Narendra Modi, refers to a neoliberal development model implemented in the state of Gujarat that is concomitant with the UPA governments. It is characterized by the region's economic growth, infrastructure development, and industrialization initiatives. The model has been associated with policies to attract investment, promote entrepreneurship, and foster industrial growth within the state. The model has been a subject of analysis and debate regarding its effectiveness in promoting development and addressing socio-economic challenges within the state. For instance, Christopher Jaffrelot underlines that Gujarat's "growth performance also conceals wide disparities that in fact about one-third of society did not benefit from this 'model' of growth, with rising inequalities" (Jaffrelot, 2015, p. 821).

Improving the infrastructure, including electricity, roads, and ports, was vital in shaping Gujarat's evolving development strategies. Over the course of the 1990s, successive chief ministers underscored the significance of infrastructure while also highlighting the need to attract private investments, as noted by Sinha (2010). This focus culminated in Modi's introduction of the "Panchamrut" development strategy in 2003, which identified energy and water as two of the five essential sources of "vital power" crucial for ensuring sustained economic growth. The consensus among global financial entities such as the World Bank is that governments should take the lead in providing public goods; however, Gujarat's initiatives surpassed the recommendations put forth by the Bank, particularly in the realm of power sector reforms. The state made a strategic shift towards a development approach in infrastructure sectors, placing significant emphasis on public-private partnerships and implementing large-scale “mega projects”, as highlighted by Sud (2012). This transition led to establishing integrated public-private infrastructure frameworks, with the state retaining a dominant role. Notably, the post-2014 period has witnessed a similar trend of significant national-level infrastructure projects and initiatives, as discussed by Chatterjee (2022). The state’s proactive stance in infrastructure development has paved the way for enhanced connectivity and economic growth within Gujarat and set a precedent for other regions to follow suit. By prioritizing infrastructure investments and fostering a conducive environment for public-private partnerships, Gujarat has positioned itself as a frontrunner in infrastructure development, serving as a model for the whole of India.

2.5. Concluding the Transition: From Developmental State (DS) to Neoliberal Developmental(ist) State (NDS)

This section, which briefly discusses India’s political and economic framework from 1947 to the 2010s, can assert that the Indian state transitioned from a democratic developmental state to a neoliberal state. This transformation in state forms was conditioned by both the international context and India’s social formation, revealing the state’s strategic selectivity. The democratic developmental state, characteristic of the post-independence era, focused on state-led economic planning, significant public sector involvement, and protectionist policies aimed at fostering industrialization and self-sufficiency. This approach was influenced by the global wave of decolonization and the prevailing Keynesian economic consensus. However, starting in the 1980s and accelerating in the 1990s, India began to shift towards a neoliberal model. This transition was marked by economic liberalization, deregulation, and a greater emphasis on market mechanisms. This shift was not only a response to internal economic crises and inefficiencies but also aligned with the global rise of neoliberalism and the pressures from international financial institutions like the IMF and the World Bank. Therefore, the state’s strategic selectivity in adopting these economic models was a product of both domestic class imperatives and global economic trends, reflecting a complex interplay between internal and external forces shaping India's development trajectory. Vivek Chibber's argument is highly cogent and well-founded in analysing India's development trajectory: "… there is good reason to expect that a liberalization of markets will lead not to less regulation but rather to a different regime of regulation – which can be more dense than the one preceding it… The turn away from a state-led development strategy will change the state's role, not erase it; whether the institutional capacities required for this new role in fact come about depends, as always, on politics" (Chibber, 2006, p. 243).

CHAPTER 3

FORMS AND CONTENTS OF FINANCIALIZATION IN INDIA

Capitalism is essentially a financial system, and the peculiar behavioral attributes of a capitalist economy center around the impact of finance upon system behavior. The behavior of the financial system in turn depends upon the behavior of its component parts; and a complex set of financial intermediaries is central to the financial system of an advanced capitalist economy. (Hyman Minsky, 1967, p. 33)

3.1. Introduction

In the mainstream neoliberal literature, financial repression, which is "the replacement of market mechanisms by direct government intervention in the determining of the level of financial variables and the allocation of credit at prices determined by the state", used to be one of the main sins in political economy (Spratt, 2009, p.58). According to the literature, governments repress financial operations by controlling interest rates and credits, controlling banking operations and the entrance to the financial sector, owning banks, and restricting international capital flows (Williamson & Mahar, 1998). According to Williamson and Mahar's classification of the extent of financial repression in 1973, India clearly used to be one of the most financially repressed countries in the world, alongside Korea, Taiwan, Chile, Bangladesh, Sri Lanka, Pakistan, and Nepal (ibid.).

In 2023, The World Bank appreciated the Indian government by stating that "over the last decade, the Government of India has successfully leveraged its robust Digital Public Infrastructure (DPI) to support key development priorities, such as financial inclusion…This initiative of the Government of India (the digital ID (Aadhaar-digital citizenship number which has also been used for e-KYC (e-Know Your Customer), the financial inclusion scheme of the Pradhan Mantri Jan Dhan Yojana

(PMJDY) which is also known as "National Mission for Financial Inclusion") implemented in 2014 to ensure affordable access to financial services, brought millions into the formal banking sector"[100]. India has become a leading developing country of "digital financialization"[101] after long years of its entitlement as one of the most financially repressed countries in the world. In addition to its leading role in digital "leapfrogging" for other developing countries, India's financing, insurance, and real estate (FIRE) increased from 8% in 1951-52 to more than 23% in 2019-2020 in gross value-added percentage (Dasgupta, 2021, p. 29). Interestingly, the United States value-added finance, insurance, real estate, rental, and leasing as a percentage of GDP reached a historic peak of 22.90 % in 2020, too[102]. The recent Indian government and international bodies have promoted the transformation of India from a "financially repressed" country to a digitally financialized country as a grand crowning achievement.

As Hyman Minsky argued, "capitalism is essentially a financial system" (1967, p.33) that money and finance could not be examined as if "bartering such as might take place at a village fair" (1977, p. 7). Any capitalist banking and financing system must ensure a safe and secure payment mechanism and the financing of the capital development of the economy (Minsky, 1994). In parallel with the previous analysis of the political economy of the Indian state, the state's role in the financial system has also shifted in accordance with the strategic selectivities of the state under a particular state project. The developmental state of India used to channel savings to finance public and private investment through the creation of several industrial development banks in addition to protecting the domestic private sector from international competition in the early post-independent era (Chandrasekhar & Ghosh,

[100] G20 Policy Recommendations For Advancing Financial Inclusion And Productivity Gains Through Digital Public Infrastructure : https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/G20_POLICY_RECOMMENDATIONS.pdf

[101] Jain, S. & Gabor, D. (2020). The rise of digital financialisation: The case of India. *New Political Economy*, *25*(5), 813-828.

[102] United States - Value Added by Industry: Finance, Insurance, Real Estate, Rental, and Leasing as a Percentage of GDP https://tradingeconomics.com/united-states/value-added-by-private-industries-finance-insurance-real-estate-rental-and-leasing-as-a-percentage-of-gdp-fed data.html#:~:text=Historically%2C%20United%20States%20%2D%20Value%20Added,18.20%20in%20October%20of%202008.

2002). However, the state's role in financial matters (not solely markets) has become much more complicated with financial deregulation and financial globalization phenomena under neoliberalism. In other words, dismantling domestic and international financial regulations and capital controls, which led to financial globalization, resulting in the rise in international capital flows, has created a tangled web of issues in the sphere of the market-state-finance nexus. In the process of financial deregulation and financial globalization, the roles and activities of financial institutions have significantly transformed. Banks have expanded their operations to include non-banking activities, while non-bank financial institutions have started to engage in banking functions. Furthermore, many of these financial institutions have mainly turned to financial markets as a primary means of raising funds (Pathak, 2018, p. 4).

This chapter does not aim to analyse all the financial developments in India in detail. Rather, the focus is on examining the significant developments and peculiar aspects of the Indian case within the context of the neoliberal developmental state, formed under the parameters of financial deregulation, financial globalization (integration into international financial markets) and financialization. Therefore, the analysis addresses the nature of the financial system in India, followed by an examination of state interventions in the functioning of this financial system. The discussion highlights the prominent and problematic aspects of the state-finance nexus in India. Considering financialization as a process, it is important to show that the trajectories and dynamics of financialization can vary in each social formation. Thus, the financial developments in India are analysed from a perspective that prioritizes policy and seeks to understand the forms of state intervention in the economy.

Financialization, broadly defined as the increasing dominance of financial motives, financial markets, financial actors, and financial institutions in the economy (Epstein, 2005), has profoundly reshaped the political economy of India. This chapter first discusses financialization literature to explore the distinct features and implications of financialization in India. Examining key aspects such as capital account liberalization, demonetization, non-banking financial companies (NBFCs) and the Infrastructure Leasing & Financial Services (IL&FS) crisis and financial inclusion schemes are defined as peculiar aspects of financialization in India. A distinctive aspect of the financialization process in India is the gradual transformation of the financial terrain through controlled capital account liberalization, while, in contrast, demonetization constitutes a swift and sharp intervention. Under the imperatives of these two processes, India witnessed the IL&FS Crisis, and as a result, shadow banking activities have intricately shaped the debates on financialization. Analysing these aspects is significant to demonstrate the relevance of financialization which is a process of making in India. The chapter serves as an intermediary, paving the way for a discussion on the current form of the Indian state.

3.1.1. A Glance at Financialization

Apart from inquiries in the domain of economics, financialization has recently become one of the main themes in social sciences, and debates, inquiries, and perspectives have already been going beyond the boundaries of economics.[103] The financialization phenomenon can be observed in four domains of social reality: financial sector, productive sector, household level and state level (Thomson & Dutta, 2015, p.4). Manuel B. Aalbers compiles research themes on financialization as follows:

> "1. financialization as a historically recurring process that signals the autumn of hegemonic powers,
> 2. the financial services revolution: that is, the rise of nonbank financial institutions and the growing importance of leveraging and charging fees to banks' business models,
> 3. financialization of the economy in narrow terms: that is, the financial sector becoming increasingly dominant in economic terms,
> 4. financialization of nonfinancial firms: that is, traditionally, nonfinancial firms becoming dominated by financial narratives, practices, and measurements and increasingly partaking in practices that have been the domain of the financial sector,

[103] For a good review of the recent literature: Yalman, G., Marois, T., & Güngen, A. R. (2019). Introduction: Debating financial transformation in Turkey. In G. Yalman, T. Marois, & A. R. Güngen (Eds.) *Political economy of financial transformation in Turkey* (pp.1-23). Routledge.

5. financialization as assetization: that is, the transformation of a range of commodities into tradable financial assets,
6. financialization of the state and (semi) public sector: that is, government, public authorities, education, health care, social housing, and a range of other sectors becoming dominated by financial narratives, practices, and measurements,

7 financialization of households: that is, financial motives, rationales, and measures becoming increasingly dominant, both in the way individuals and households are being evaluated and approached, and in how they come to make decisions in life. (Aalbers, 2019, p. 2).

These seven research themes summarized by Aalbers demonstrate that financialization has been discussed in various forms and at different levels of analysis in the political economy research field. To categorize financial terrain as borrowing and lending relationships as well as all activities related to financial assets (stocks, bonds, derivatives, foreign exchange) and non-financial terrain as production and distribution (goods and services) processes have become putting the division out of perspective because of complicated dynamics in between financial terrain and non-financial terrain in the era of financialization (Orhangazi, 2015, p.138). These complicated dynamics can be mainly observed in the transformation of the relationship between the nonfinancial corporate sector and the financial sector in addition to increasing motives for short-term profits of nonfinancial corporations (ibid.). Corporate financialization has two main features; many corporates have started to engage in bond markets rather than bank loans, and because of that, banks have enhanced their financial repertoires from insurance to housing markets or much more risky profit-gaining activities after the 1980s (ibid., p. 148).[104]

According to Thomas I. Palley, financialization has three channels: “changes in the structure and operation of financial markets; changes in the behaviour of non-

[104] Ozgur Orhangazi shows that higher profits from the financial sector “crowds out real investment” via sampling US firms in between 1973-2003. Orhangazi, O. (2007). Financialization and capital accumulation in the Non-Financial Corporate Sector: A theoretical and empirical investigation of the U.S. economy 1973-2003. *Political Economy Research Institute Working Paper Series,* 149, pp. 1-42. For seeing a similar trend of US multinationals which operate in overseas: Krippner, G. (2005). The financialization of the American economy. *Socio-economic Review*, *3* (2), 173-208.

financial corporations, and changes in economic policy" (Palley, 2007, p. 3). The Global Financial Crisis (GFC) has become the epicentre of financialization debates since the commodification of debt with securitization measures and derivative markets and the repeal of the Glass-Steagall Act in 1999 -the legislation on putting up investment banks and commercial banks division- started to be criticised as the driver of the crises (Akçay & Güngen, 2016). Although initial studies were mainly about financialization in the United States, experiences in developing economies have also become significant over time[105]. The transition from the developmental state form, where finance was residual, to the neoliberal developmental state, where finance plays a primary role, is the broadest political-economic phenomenon of developmental states in the financialization era (Fine & Pollen, 2018, p.223). In other words, financialization is "attached to a wide variety of different forms and effects of finance" (Fine, 2011, p.4) from inflation-targeting focused monetary policies, foreign exchange shortages, public debt, reserve accumulation policies of central banks for crisis insurance, the short-termism of non-financial corporations and banks, the transnationalization of the banking sector to household debt and financial inclusion (Allami & Cibils, 2018, p.102). The epoch of financialization refers to a "structural transformation of economies, firms, states and households" (Aalbers, 2019, p. 4; Aglietta & Breton, 2001). (Table 3.1)

Table 3. 1. Literature Mapping on Financialization

	Research Fields/ Themes (Object of Inquiries)	Main parameters/ indicators/debates/concepts
Financialization	Market Level/ Corporate (Behaviour) Financialization	▪ Short-termism/rent-seeking/ M-M', M-debt-M' ▪ Securitization ▪ Assetization/rent-yielding assets/intangible capital investments ▪ Financialization of NFCs ▪ Interest-bearing capital/fictitious capital ▪ Shareholder-value orientation ▪ Financial derivatives ▪ Finance-led accumulation ▪ Asset-manager capitalism

105 For the scope of this research: Alami, I., Alves, C., Bonizzi, B., Kaltenbrunner, A., Koddenbrock, K., Kvangraven, I. & Powell, J. (2023). International financial subordination: a critical research agenda, *Review of International Political Economy*, *30*(4), 1360-1386.

Table 3.1. (continued)

Main Approaches		Household Level/ Financial Inclusion	▪ Household indebtedness ▪ Consumer credits boom ▪ Microcredits ▪ Financialization of everyday life ▪ Digital financialization
Post-Keynesian	Marxist	National Political Economy Level/ State Financialization	▪ The rise of the FIRE sectors ▪ Sovereign Debt Bonds ▪ International Reserve Accumulation-Foreign Capital Flows- International Financial Subordination in the Global South ▪ Public Sector Balance Sheets

Source: Various Sources (mainly; Van der Zwan, 2014; Hudson, 2021; Karwowski, 2019; Rabinovich, 2023)[106]

Table 3.1 shows that financialization broadly has three research dimensions: market, household, and state-level financialization. Researchers from Post-Keynesian and Marxist traditions have been using varying parameters, indicators, and conceptualizations to examine these dimensions. The focus here is the market-state-finance nexus; thus, the discussion centres on the nature of the financial system and its transformation in India. The bank-based system of India has incorporated market-based finance, and the bank ownership structure and market penetration of banks have evolved in India. Rather than measuring or assessing financialization in the country, this analysis examines the political-economic process.

3.1.2. A Glance at the Financial System in India

A financial system consists of financial institutions (banks, insurance companies, brokerage firms, investment funds, and pension funds), financial markets (capital markets such as stock and bond markets, money markets for short-term borrowing and lending, and foreign exchange markets), financial instruments (stocks, bonds, certificates of deposit, derivatives, and other securities) and regulatory and supervisory authorities (central banks, securities commissions, and other regulatory bodies). Financial institutions can be grouped into two categories: banking institutions and non-banking financial institutions. Financial systems can be broadly

[106] The other sources are on references.

distinguished based on structure and functionality as market-based and bank-based systems (Demirgüç Kunt & Levine, 1999). Market-based financial systems, such as those in the United States and the United Kingdom, rely heavily on securities markets for capital allocation and investment. These systems emphasize the role of stock and bond markets in channelling funds from savers to borrowers (ibid.). In contrast, bank-based financial systems, like those in Germany and Japan, predominantly depend on banks and financial intermediaries for funding and investment. Here, banks play a crucial role in mobilizing savings and providing credit to businesses and consumers (ibid.). The highly regulated and supervised banking system used to be categorized as a bank-based system in the developmental state of India.[107] However, the division between bank-based financial systems and market-based systems has become blurred in the process of financialization, and there has been a tendency towards increasing capital market volume, especially via short-term cross-border flows of capital in the country since the 2000s (Sen, 2010).

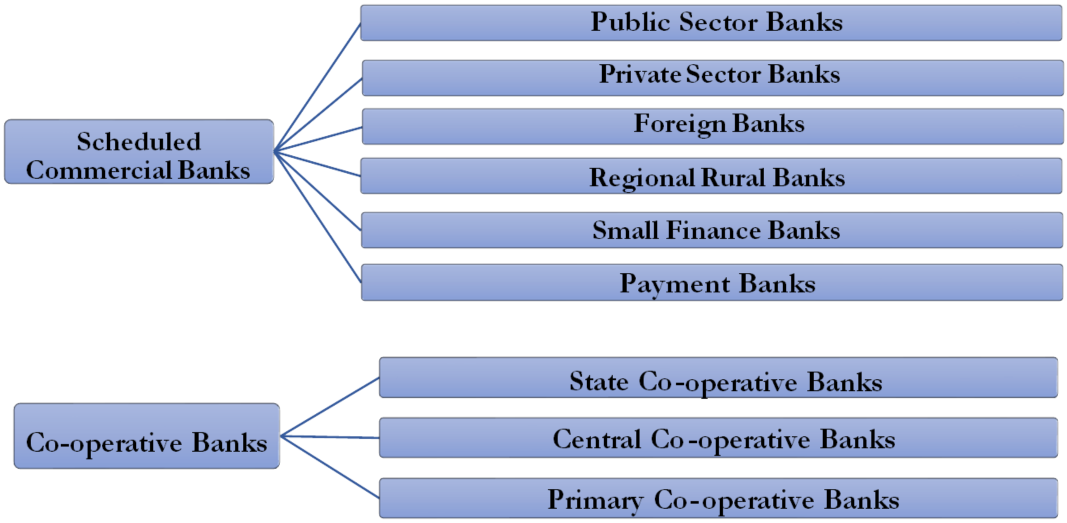
In 1947, all banks were privately owned. Although the All India Congress Committee supported nationalizing the banking and insurance industries in 1948, instead of complete nationalization, a regulatory framework was established to ensure private banks complied with the larger development plan (Chandrasekhar & Ghosh, 2018, p. 4). The Reserve Bank of India was nationalized in 1948. After the Independence, the banking sector in India is subject to the control of the Central Bank, with the Reserve Bank of India (RBI) serving as the primary authority responsible for managing, regulating, and enhancing the country's monetary and financial systems. Commercial banks listed in the Second Schedule of the Reserve Bank of India Act, 1934, were preserved as scheduled commercial banks. These scheduled commercial banks, excluding public sector banks and regional rural banks, are required to obtain banking licenses from the RBI in accordance with the Banking Regulation Act of 1949. Furthermore, Cooperative Banks are also permitted to offer banking services after obtaining licenses from the RBI under the Banking Regulation Act of 1949.

[107] The RBI still defines the financial system in the country as a bank-based system. *Innovations in Banking - The Emerging Role for Technology and AI*. Remarks (virtually) by Mr Rajeshwar Rao, Deputy Governor of the Reserve Bank of India, at the 106th Annual Conference of Indian Economic Association, Delhi, 22 December 2023. https://www.bis.org/review/r240105f.pdf

In 1955, the government established the State Bank of India (SBI), by nationalizing the Imperial Bank and merging other state-owned banks. In 1959, the government made eight state-associated banks as subsidiaries of the SBI. These actions transferred one-third of banking assets to the public sector (Gupta & Panagariya, 2022). The main date of the increase in public involvement in India's banking sector is the nationalization of banks in 1969 when fourteen private banks were nationalized. C.P. Chandrasekhar and Jayati Ghosh underline that the reason behind bank nationalisation was inadequate regulation of behaviour and banking practices, for instance, in 1951, agriculture received a mere 2 per cent of advances from scheduled commercial banks, while 34 per cent was allocated to industry, 36 per cent to trade, and 13 per cent to finance (2018, pp. 4-5). The incompatibility of private lending with development plans was sought to be addressed through the nationalization of banks. In 1980, another six private banks were nationalized. Both the 1969 and 1980 nationalizations targeted the expansion of banking services to rural and semi-rural regions while redirecting credit to priority sectors (Gupta & Panagariya, 2022). As a result, the share of deposits in the public sector reached 92 per cent in 1980, and the proportion of bank branches in rural areas reached 49 per cent in 1981 (Panagariya, 2008). In terms of new financial products and services, including merchant banking, the State Bank of India played a pioneering role by establishing the Bureau of Merchant Banking, while Industrial Credit and Investment Corporation of India (ICICI) Securities started to provide merchant banking services. By 1980, the quantity of merchant banks had surpassed 30. This surge in the financial services sector encompassed the swift proliferation of commercial banks and other financial organizations. According to the Association of Investment Bankers of India (AIBI), the merchant banking industry started to take off in the 1990s, with over 1,500 merchant bankers registering with the Securities and Exchange Board of India (SEBI). Regarding the banking sector, Foreign Direct Investment (FDI) is allowed in private sector banks up to 49% through the automatic route, and beyond that, up to 74% with government approval. FDI in public sector banks is permitted up to 20% through the government approval route.[108] Figure 3.1 shows the types of banks in India.

---

[108] Banking Overview, Ministry of Finance. https://financialservices.gov.in/beta/en/banking-overview



Source: Ministry of Finance, Department of Financial Services

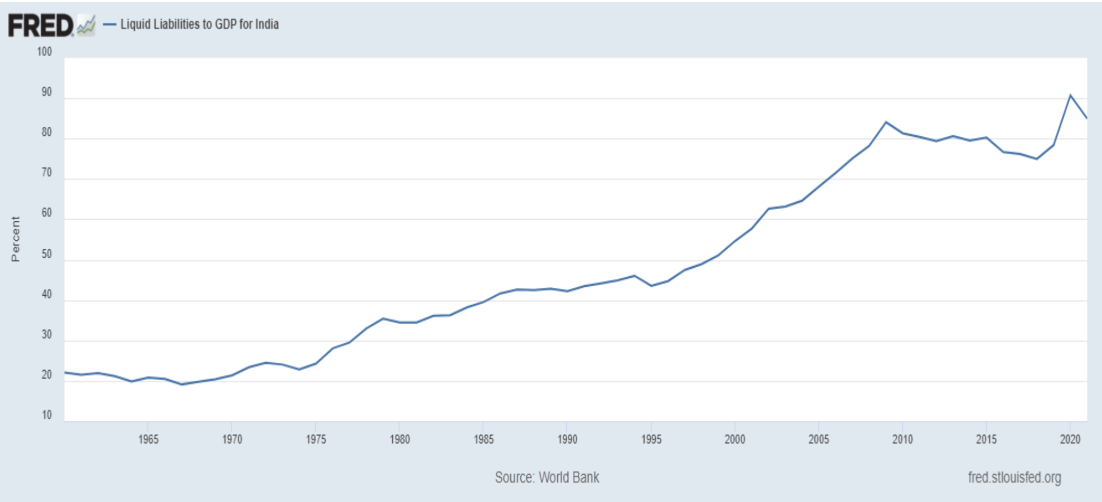
Figure 3. 1. Banks in India

The operations of Non-Banking Financial Companies (NBFCs) distinguish themselves from those of banks in several aspects: NBFCs are unable to accept demand deposits, participate in the payment and settlement system, or issue checks drawn on themselves. Moreover, deposit insurance protection provided by the Deposit Insurance and Credit Guarantee Corporation is unavailable to NBFC depositors, in contrast to the coverage enjoyed by bank depositors. The classification of NBFCs is based on their asset/liability configurations, systemic significance, and the scope of activities they engage in.[109] According to the latest data from the Ministry of Finance, India is serviced by 137 scheduled commercial banks, alongside co-operative banks and local banks, approximately 9,516 NBFCs, complemented by 5 All-India Financial Institutions. The NBFCs are a significant part of the Indian financial system in addition to Scheduled Commercial Banks.

The capital market in India consists of the stock exchanges, notably the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), where equities, bonds, and other financial instruments are traded. The Securities and Exchange Board of India (SEBI) oversees the functioning of the capital market. Apart from the equity market, fixed-income securities such as government bonds and corporate

[109] Banking Overview, Ministry of Finance. https://financialservices.gov.in/beta/en/banking-overview

bonds provide stable returns and are popular as financial instruments (Pathak, 2018, p. 6). Derivatives, including futures and options, allow investors to hedge against price fluctuations or speculate on future market movements. Mutual funds, managed by professional fund managers, pool funds from multiple investors to invest in a diversified portfolio of assets are widely used (ibid.). In 2023, the NSE overtook Hong Kong as the fourth largest in the world and has doubled in value in four years, surpassing a market capitalization of USD 4 trillion.[110]



Source: World Bank, Liquid Liabilities to GDP for India retrieved from FRED, Federal Reserve Bank of St. Louis[111]

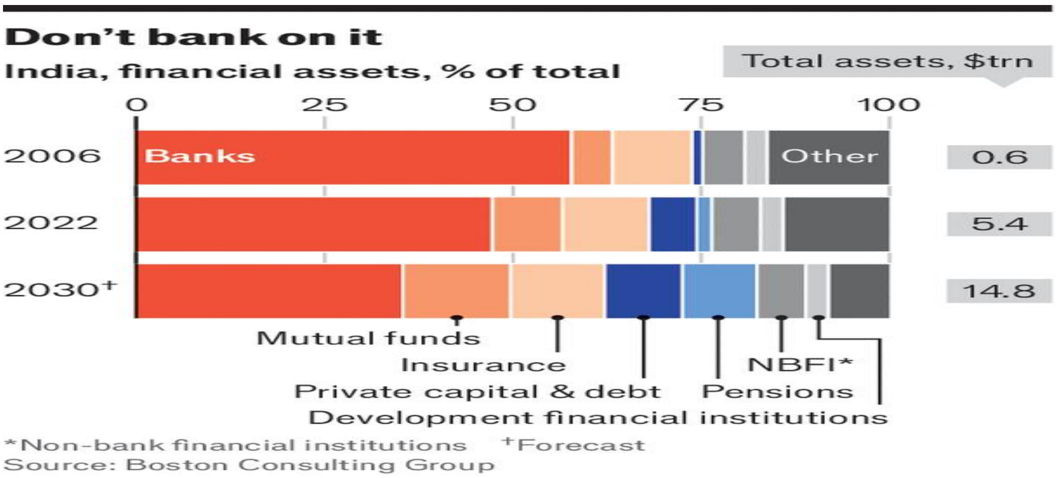
Figure 3. 2. Liquid Liabilities to GDP for India

A "well-functioning" financial system is seen as pivotal in advancing both financial deepening and broadening. Financial deepening signifies an increase in financial assets relative to the Gross Domestic Product (GDP), serving as a critical indicator of financial system development by assessing the size of the financial intermediary sector. This depth is quantified by the ratio of the financial system's liquid liabilities, including currency, demand deposits, and interest-bearing liabilities of banks and non-bank financial intermediaries, to GDP (ibid., p. 8). Figure 3.2 shows the

[110] Deciphering the meteoric rise of India's capital markets https://iongroup.com/blog/markets/deciphering-the-meteoric-rise-of-indias-capital-markets/.

[111] World Bank, Liquid Liabilities to GDP for India [DDDI05INA156NWDB], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DDDI05INA156NWDB , May 31, 2024.

increasing trend in the ratio of liquid liabilities to GDP over the years, indicating growing financial depth in India's financial system. Financial broadening involves the expansion of the number and diversity of participants (financial inclusion) and financial instruments (derivatives) within the system. In the 2010s, India demonstrated a clear tendency towards a market-based financial system (Figure 3.2 and Figure 3.3).



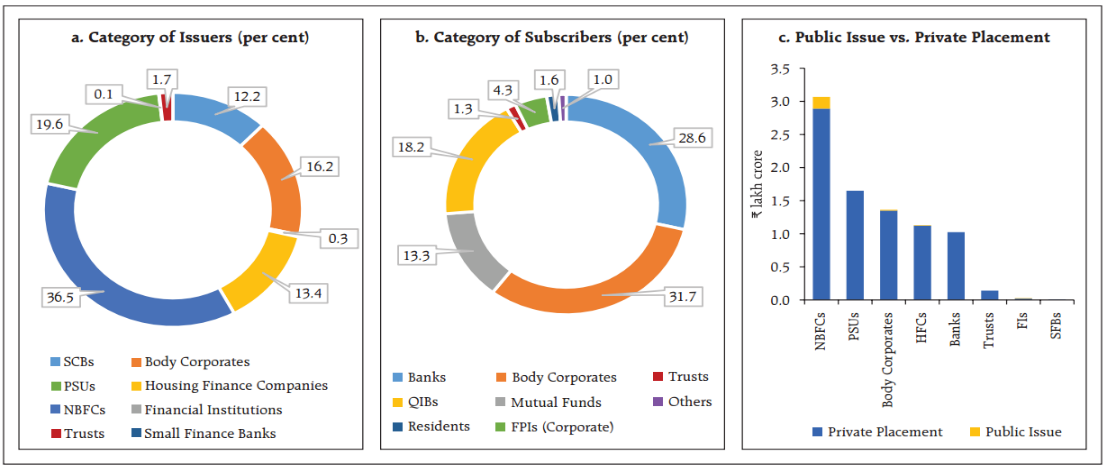
Source: The Economist[112]

Figure 3. 3. The Total Financial Assets

Historically, India's financial system used to be predominantly public owned bank-based, with banks playing a central role in mobilizing savings and providing credit. However, financial policies have gradually transformed the landscape in the 1990s. The deepening of the equity and bond markets, the rise of NBFCs, and the introduction of new financial instruments and derivatives have collectively contributed to this shift. The ratio of market capitalization to GDP has seen a significant rise, reflecting the increasing role of equity markets in the economy. The corporate bond market has expanded (Figure 3.4), providing an alternative outside the traditional banking sector. This shift is characterized by an increasing reliance on securities markets for capital allocation and investment, paralleling trends observed in advanced economies. Regulatory reforms, such as the introduction of the SEBI

[112] India's financial system has improved dramatically in the past decade. https://www.economist.com/special-report/2024/04/22/indias-financial-system-has-improved-dramatically-in-the-past-decade .

and the government's strategic disinvestment and public offering programs, have further fuelled market activity for public sector enterprises. Additionally, the digitization of financial services has facilitated enabling a larger segment of the population to engage in market-based investments. These developments collectively indicate a structural shift in the Indian financial system.



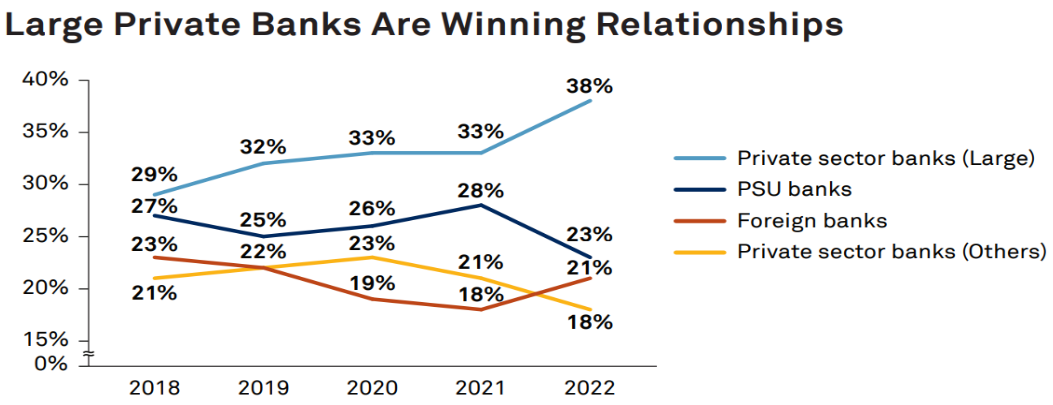
Note: (1) QIBs stands for Qualified Institutional Buyers.
(2) 'Others' include Alternative Investment Funds (AIFs), clearing members (CMs), NBFCs, Insurance Funds, Pension Funds, FPIs (Individuals), foreign nationals, HUFs, NRIs, among others.
Sources: NSDL and CDSL.

Source: The RBI, Financial Stability Report (2024, June)

Figure 3. 4. Corporate Bond Issuance and Subscription from April 2023 to March 2024

Recently, in the Indian financial system, bank and nonbank assets relative to GDP have increased, whereas the public sector's share has decreased although their share still is significant (Agarwal, 2023). The recent rise of private banks in the Indian financial system can be followed by their market penetration level (Figure 3.5). According to the Coalition Greenwich India Corporate Banking Study 2023, from 2021 to 2022, the share of Indian corporates working with one of the largest Indian private sector banks for overall corporate banking services increased from 33% to 38%, during the same period, the share of corporates working with at least one large foreign bank rose from 18% to 21%. Additionally, many of the gains for large private sector and foreign banks came at the expense of smaller banks, including some of India's public sector banks. However, even among the public sector the trend toward consolidation among the largest providers continued, with the State Bank of India outperforming smaller banks in maintaining corporate relationships.

Over the 12-month period, the share of Indian corporates working with at least one of the country’s other, smaller private sector banks decreased from 21% to 18%.



Note: Market penetration is calculated based on the number of respondents who cite a core relationship for each bank in the study. Based on 557 respondents in 2018, 634 in 2019, 647 in 2020, 658 in 2021, and 633 in 2022. Private sector banks (Large) refers to ICICI Bank, Axis Bank and HDFC Bank. PSU banks refers to State Bank of India, Bank of Baroda, Bank of India, Canara Bank, Bank of Maharashtra, Central Bank of India, Punjab National Bank, Indian Overseas Bank, Union Bank of India, UCO Bank, and other PSU banks. Foreign banks refers to Citibank, HSBC, Standard Chartered Bank, Deutsche Bank, DBS, SMBC, Mizuho, MUFG, BNP Paribas, Barclays, J.P. Morgan, and other foreign banks. Private sector banks (Others) refers to Kotak Mahindra Bank, IndusInd Bank, IDFC First Bank, RBL Bank, Federal Bank, Yes Bank, and other private sector banks.

Source: Coalition Greenwich India Corporate Banking Study 2023 (nearly 90% of the large and middle market Indian corporates)

Figure 3. 5. Market penetration of banks in India according to ownership

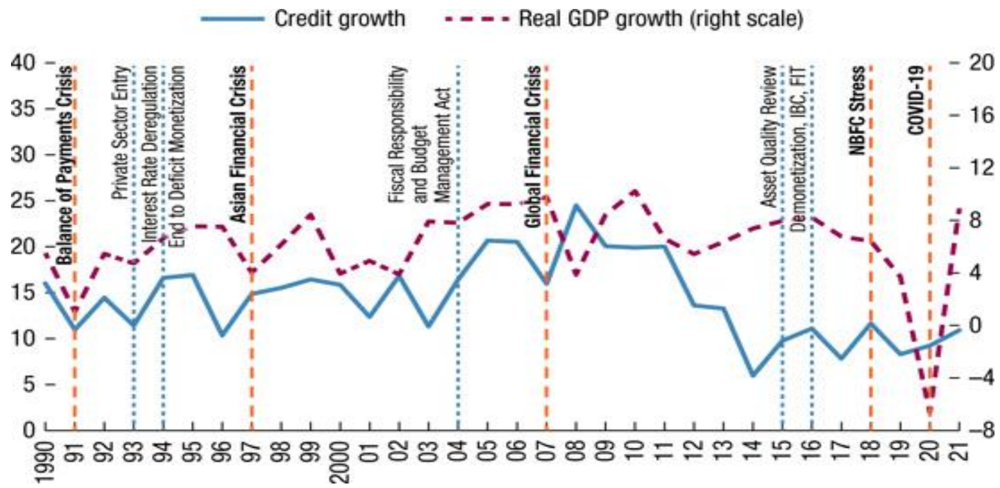
The shift in the Indian financial system concerns the transformation of the market-state-finance nexus in India within the framework of neoliberalism. Since the deregulation reforms of the 1990s, the intertwining of market forces, state interventions, and financial mechanisms has reshaped the landscape of Indian economic development. This nexus is pivotal in understanding how neoliberal policies have facilitated the proliferation of financialization and altered the role of the state under the new form of a neoliberal developmental state, in addition to analysing peculiar issues of the financial system under these parameters.

3.2. The Transformation of the State-Finance Nexus: Issues in the 2010s

One of the most significant transformations in the Indian economy following the 1991 reforms was the introduction of current account convertibility in 1993, which marked a pivotal shift towards a more open financial environment. This was accompanied by the deregulation and unification of the interest rate structure, the removal of priority lending, and a move away from official borrowings from the RBI towards marketized borrowing by fiscal authorities, aiming to end deficit financing (Kumar & Gulati, 2014, p. 47). The introduction of credit-risk adjusted lending by commercial banks aligned with Basel norms. Concurrently, there was a marked increase in capital inflows from abroad, with foreign institutional investors (FIIs) playing an important role, leading to spectacular growth in market capitalization and secondary market turnovers. This growth also brought greater volatility in stock prices and trading volumes, alongside deregulation in the capital market that allowed FIIs access to Indian stocks and introduced derivative trading across various markets (Sen, 2021, p. 267). The financial sector began to offer significantly higher returns compared to traditional industrial investments, resulting in a shift in corporate portfolios, particularly among banks, which increased their holdings in stocks. This complex interplay of factors underscores the transformative impact of neoliberal policies on India's financial landscape (Sen, 2008, pp.180-181). The Narasimham Committee reports that in 1991 and 1998, the following measurements eased domestic and foreign private sector entrance into banking in addition to reducing the statutory liquidity ratio ceased the special status of the development banks in the country (Gupta & Panagariya, 2020, p.10).[113] The shift has been "a shift from the 'structural regulation' of the financial sector and financial institutions to market-mediated regulation" (Chandrasekhar, 2016, p.16).

Financial deregulation and financial globalization policies have facilitated the integration of the Indian financial sector with external regional and global economies, thereby exposing it to various shocks like the Asian financial crisis of 1997 and the Global Financial Crisis (GFC) of 2008. In addition to external shocks, the Indian economy has also faced domestic challenges that have further tested its resilience and ability to withstand economic turbulence, such as demonetization and the NBFC crisis in the 2010s (Schipke et al., 2023). Figure 3.6 indicates that the credit boom after the GFC resulted in a domestic crisis stemming from the peculiar dynamics of the Indian financial system.

[113] Development Financial Institutions will be analysed in detail in the next chapter.

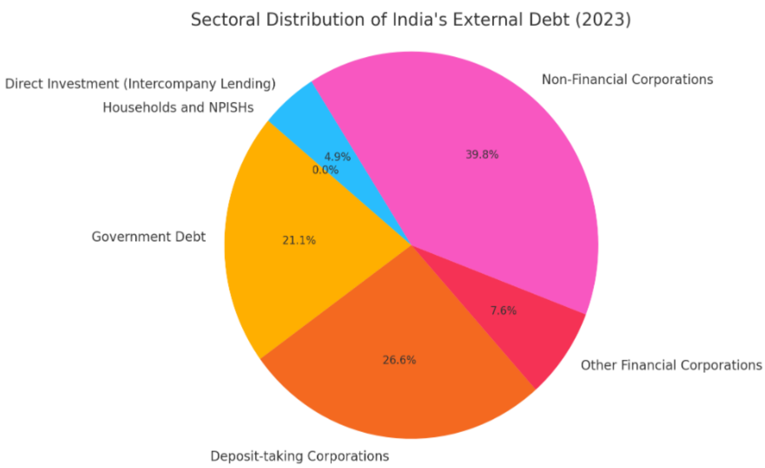


Source: Schipke et al., 2023

Figure 3. 6. The events and their impacts on credit growth and real GDP growth in India

Through the 1990s and 2000s, financial reforms promoted a more market-based financial system in which both financial instruments and institutions diversified simultaneously. Public sector commercial banks (not Development Financial Institutions) have preserved their significance in the financial system. The Non-Performing Assets (NPAs) issue of public commercial banks and NBFCs has been the main crisis-driver issue of the Indian financial system in the neoliberal developmental state period. This mainly stems from long-term financing for private corporate investment state-backed guarantee for infrastructural investments (Azad et. al., 2017). The RBI has taken precautions to protect commercial banks from NPAs; NFBCs have emerged as another credit mechanism which deals with the issue of bad loans in the 2010s. In other words, the strengthening of the connection between the public-sector banking system and the non-financial corporate sector has been enhanced by financial liberalization and the discontinuation of development banking and state-directed credit. In this context, the interests and priorities of the non-financial corporate sector take precedence over those of the public-sector banking system. Consequently, the domestic financial sector has become subservient to the non-financial corporate sector (Ganguly & Vasudevan, 2023).

The non-financial corporate sector not only uses domestic financial channels but also borrows from international markets (ibid.). The high level of international borrowing of the corporate sector stems from controlled and gradual capital account liberalization in India. The complicated nature of the market-state-finance nexus in the 2010s lies in this vicious circle: Corporate sector companies are securing more domestic and international funding (Figure 3.7) but are engaging in riskier financial practices. Public-sector banks and NBFCs are providing these funds, leading to an increase in non-performing loans. The government ultimately bears the financial burden of these bad loans for the sake of infrastructural investments. So, to speak, banks are strictly controlled rather than NBFCs, and the corporate sector, not the banking sector, borrows money from international investors. This is the unique trajectory of Indian financialization (ibid.). Under this framework, the state's role in the regulation of financial terrain has become preventing risks via various mechanisms, from bank recapitalization packages[114] to the establishment of asset reconstruction companies[115]. This new form of the state-finance nexus is different from the classical view of the Indian financial system as a "state-controlled financial terrain" in which primary borrowing mechanisms are under state control even though financial deregulation-oriented neoliberal reforms (Das & Ghosh, 2009; Chandrasekhar, 2012; Sen & Das Gupta, 2015; Jayadev et al., 2018).



Source: The Ministry of Finance (Press Information Bureau) & The RBI

Figure 3. 7. The composition of external debt in 2023

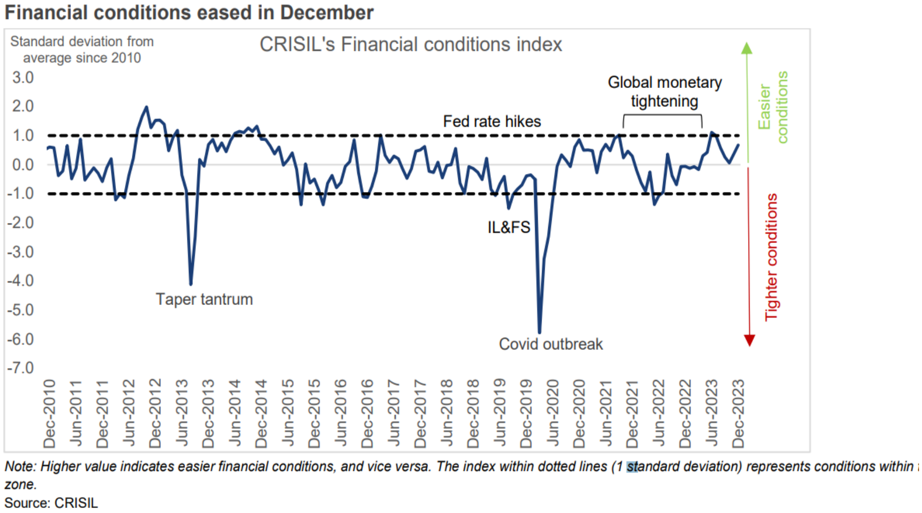
[114] Bank recapitalisation: PNB, IDBI Bank, SBI received maximum funds in two years https://www.businesstoday.in/latest/economy-politics/story/bank-recapitalisation-pumped-in-rs-1point28-lakh-crore-in-psbs-in-2-years-121225-2018-12-19

[115] In the Union Budget 2021, National Asset Reconstruction Company Limited (NARCL), and India Debt Resolution Company Limited (IDRCL) were established "for aggregation and resolution" of Non-Performing Assets (NPAs). https://www.narcl.co.in/

In conclusion, the main driver of financialization in India is the non-financial corporate sector (Sen & Dasgupta, 2018; Ganguly & Vasudevan, 2023). Sen & Dasgupta (2018) point to the rising share of financial assets on the balance sheets of NFCs as a similar trend to developed countries India, whereas Jayadev et al. (2018) argue that the state still controls banking and finance, even though the trend shows a diminishing role of directed lending- a different trend compared to developed countries. The most significant aspect of the Indian experience is that gradual capital account liberalization has protected the economy from financial shocks, which differs from countries like Turkey and Argentina.

It is necessary to emphasize that the state-guided nature of the financial system does not imply the absence of financialization. Instead, state banks operate a central role in capitalist accumulation and development processes within today's capitalist and highly financialized global market, alongside domestic political priorities (Marois, 2015, p.34). Questioning "how bank ownership and control have been changed by the transition to finance-led neoliberal strategies of development" differs from overstating the differences between "liberal" or "coordinated" types of economies (Marois, 2012, p. 20; pp. 17-18). In other words, states and banks do not have a "static" relationship, apart from ownership and control of banks, their relationships evolve under imperatives of capital accumulation strategies (Marois, 2012, pp.12-13). Figure 3.8 shows that the Indian financial markets are under exposure to international financial conjuncture. Unlike many other developing countries' financial markets, which are increasingly exposed to international financial investors, the process of financialization in India is more organic or home-grown.

The general characteristics of the Indian financial system and the state-finance relations within the framework have been changing under international and national dynamics. To be able to grasp financialization in India, analysing gradual capital account liberalization, and shadow banking, i.e. non-banking financial activities, is significant to frame forms and contents of financialization in India as well as financial inclusion policies such as demonetisation and the Pradhan Mantri Jan-Dhan Yojana.



Source: CRISIL

Figure 3. 8. The international-domestic events and financial conditions in India

3.2.1. Capital Account Liberalization

Stephen Spratt makes a sensible analogy of how free trade is considered a win-win theology within orthodox economic theory; capital account liberalization is a similar dogma which has been considered good for all parts (2009, p. 73). Capital Account Liberalization refers to the process of easing restrictions on the flow of capital in and out of a country. In the context of India, the journey of Capital Account Liberalization has been marked by gradual reforms over the years. India initially began its economic liberalization program in 1991, focusing on current account convertibility. The focus then shifted towards liberalizing the capital account to integrate with the global economy. Initial measures included easing restrictions on foreign direct investment (FDI) and portfolio investment. The government also started issuing Global Depository Receipts (GDRs) and American Depository Receipts (ADRs) in addition to introducing the concept of Automatic Route and Approval Route for FDI, simplifying the process for foreign investors. The participation of foreign institutional investors was gradually increased through measures like raising the FII investment limits in equity markets. The Qualified Foreign Investor (QFI) route was introduced to encourage a broader category of investors to participate in the Indian markets. Followingly, the External Commercial Borrowing (ECB) framework was liberalized, allowing Indian entities to borrow from international markets under specified conditions. The government periodically revised the ECB guidelines to facilitate easier access to foreign capital for domestic businesses. The derivatives market exposed reforms with the introduction of currency futures and options, allowing entities to hedge against currency risks. These reforms aimed to deepen the financial markets and enhance risk management tools for market participants. While significant changes were made in capital account liberalization, India maintained restrictions on current account convertibility. The rupee exchange rate was initially managed by the central bank to avoid excessive volatility. Thus, capital account liberalization in India has been a cautious and gradual approach, avoiding sudden and radical changes to prevent financial instability. The RBI played a crucial role in managing the process and implementing measures to ensure a “smooth” transition.

The main strategic policy pillar of the gradual transformation was prioritizing “non-debt-creating flows” rather than debt-creating flows (Sen Gupta, 2011, p. 4). This led to preventing “excessive reliance on foreign borrowing and dollarization of the economy (ibid.). However, “transactions in the secondary markets for stocks are essentially those guided by the short-term prospects of profits or losses, which rule in the climate of uncertainty in de-regulated markets” in India (Sen, 2021, pp. 267-268).

3.2.2. Non-Banking Financial Activities (Shadow Banking) and IL&FS Crisis

In the banking sector, the main determinant of the resilience of the sector is the amount of non-performing assets (NPAs). The increasing amount of NPAs in various financial institutions shows that there is a systemic risk in the sector (Naqvi, 2018, p. 1069). In India, during the first UPA government period, especially from 2003 to the GFC (2008), there was a tendency towards a high amount of bank credit to the private sector (especially for infrastructure investments); the asset-liability mismatch issue became visible after the 2010s when the RBI forced the banks to define non-performing assets in their balance sheets (Sengupta et al., 2021, p.6). As a result, “from March 2015 to March 2018, gross NPAs in the entire banking system more than doubled to reach 11.5% of total advances of the banking sector” (ibid.). Azad et al. highlight the role of the state in the boom of the 2000s by focusing on the credit bubble of the public sector banks to the infrastructure sector (Azad et al., 2017, p. 86).[116] The NPA crisis in India in the 2010s was the result of the peculiar form of the market-state-finance nexus in the country.

The upsurge in public sector bank credits- private corporate borrowings in the early 2000s paved the way for the rise of the volume of NBFCs' credits in the 2010s. Although the NBFCs have always been in the Indian financial system, their position in the financial system was relatively small in accordance with the DFIs in the developmental state era and commercial banks in the neoliberal developmentalist era. The nature of Indian NBFCs in terms of shadow banking is controversial (Acharya et al., 2013). In the International Political Economy, shadow banking recently started to be discussed as a part of "policy-engineered financialized globalisation", going beyond the boundaries of seeing their activities solely in the frame of market-based finance by emphasizing the role of states and financialization (Ban & Gabor, 2016, p.903). For the Financial Stability Board (FSB), shadow banking is "credit intermediation involving entities and activities outside the regular banking system"[117], so the NBFCs in India can be categorized as shadow banks; however, NBFCs in India are under the RBI's regulation. The main features of shadow banking involve depending on short-term funding sources, using considerable leverage, and engaging in credit and maturity transformation.

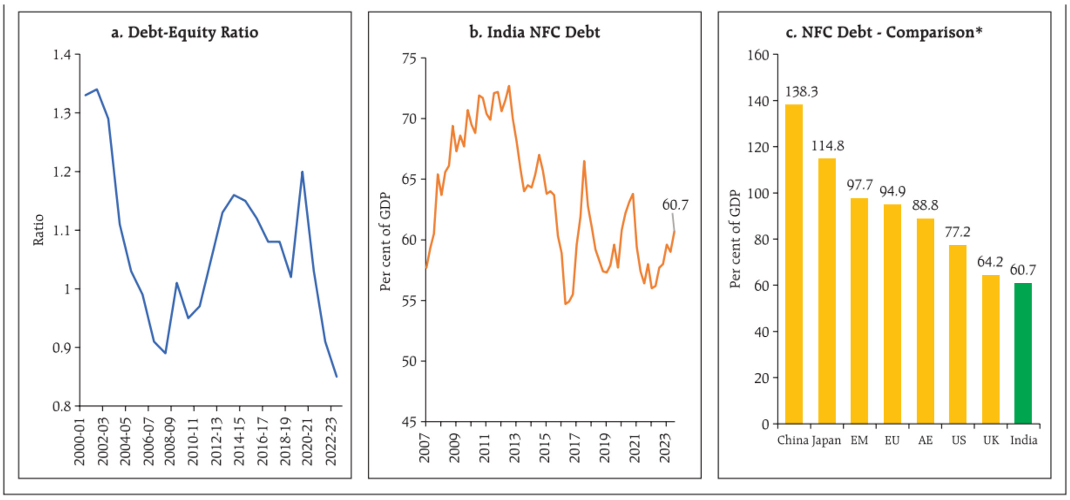
The IL&FS (Infrastructure Leasing & Financial Services) crisis in India unfolded in 2018 and was a significant financial event that raised concerns about the Indian financial system in general and shadow banks in particular. IL&FS was a major non-banking financial company (NBFC) in India that played a crucial role in funding infrastructure projects. It operated through a complex structure of subsidiaries and special purpose vehicles (SPVs), contributing to the financing of various infrastructure projects across sectors such as transportation, energy, and real estate. IL&FS faced financial stress due to its aggressive expansion and high debt levels. The company had taken on a significant amount of debt to fund various

---

[116] The form of PPPs will be discussed in the next chapter.

[117] Global Shadow Banking Monitoring Report 2012 https://www.fsb.org/wp-content/uploads/r_121118c.pdf

infrastructure projects. The company's financial mismanagement became evident as it struggled to meet its debt obligations and faced a liquidity crunch. IL&FS had substantial exposure to non-performing assets, particularly in the form of delayed or stalled infrastructure projects. The company faced multiple credit rating downgrades, which further exacerbated its financial troubles. Lower credit ratings made it difficult for the company to raise funds from the market. In September 2018, the Indian government took control of IL&FS by superseding its board and appointing a new board to address the crisis. The government's intervention aimed to prevent a systemic risk to the financial system and ensure the orderly resolution of IL&FS.



Note: * Data as on December 2023.
Sources: CMIE and BIS.

Source: The RBI, Financial Stability Report 2024 June

Figure 3. 9. Non-Financial Corporates - Debt-Equity and Debt-to-GDP Ratios

The crisis triggered discussions about the overall health of India's financial system and the need for better regulation and oversight, especially in the NBFC sector. It highlights concerns about corporate governance, risk management, and transparency in financial institutions. There were debates on the role of credit rating agencies and the need for reforms in the regulatory framework to prevent similar crises in the future. The IL&FS issue was also part of broader discussions about the challenges faced by the infrastructure sector in India and the impact on economic growth. Apart from NBFCs in India, shadow banking is a global tendency to search "for short-term yield differentials"; thus, it is essentially about "high risk-adjusted returns for institutional investors" (Mushtaq, 2021, p. 555). In India, the banking sector has still been an important source of financing for the NBFC sector (Schipke et al., 2023). Even considering the rise of the bond market and the increasing volume of equity market capitalization in the Indian financial terrain, there is a ground for "high risk-adjusted returns" for approximately 9,516 NBFCs (Ministry of Finance, 2024). The assessment of activities of NBFCs (Figure 3.9) in India goes beyond the boundaries of the thesis, whereas it is significant to underline that there are real preconditions for shadow bank-ization of the NBFCs in India in the frame of a market-based financial system.

3.3. Financial Inclusion

The World Bank defines financial inclusion as "individuals and businesses have access to useful and affordable financial products and services that meet their needs - transactions, payments, savings, credit and insurance- delivered in a responsible and sustainable way" and that it is "an enabler for 7 of the 17 Sustainable Development Goals".[118] In the financialization literature, financial inclusion is a part of the process of financialization at the household level (Table 3.1). It is associated with the "monetization of economic systems and an increase in market exchanges" by involving "money-based market exchanges" (Chiapello et al., 2023, p.5). In the Global South, financial inclusion has become a major recipe for reducing poverty (Demirgüç-Kunt et al., 2017) by aiming to "convert the poor into subjects in both senses of the term: subjects determining their faith through their choices and actions, and people subject to the finance-led strategies of accumulation *via* the channels of mainstream financial institutions" (Güngen, 2018, p.334).

The nature of financial inclusion dramatically changed in the 2010s in India (Figure 3.10). In the developmental state era, financial inclusion mainly meant opening bank branches in semi-urban and rural areas, diversifying and democratising (lower interest rates) credit options, whereas financial inclusion has become creating financial incentives for the poor to enrol on the financial system recently (Jain & Gabor, 2020, p.822). However, in terms of the state-finance nexus, top-down

[118] https://www.worldbank.org/en/topic/financialinclusion .

financial inclusion policies are different than micro-credit projects and or increasing household-level indebtedness in the 2010s. These policies, demonetization and the Pradhan Mantri Jan Dhan Yojana (the PMJDY from now on, the Prime Minister's People's Wealth Scheme), are not targeted incentive-based financial inclusion projects, but they are nation-level policies to push Indian citizens into the financial sector.

3.3.1. Demonetization

On November 8, 2016, the Prime Minister of India, Narendra Modi, announced the demonetization of INR 500 and INR 1,000 banknotes, which were two of the most widely used denominations at the time. The primary goals of demonetization announced are curbing corruption, tackling black money (unaccounted wealth), reducing counterfeit currency, and promoting a shift towards a digital and formalized economy. The sudden demonetization led to a cash crunch, especially affecting sectors that were heavily reliant on cash transactions, such as agriculture, informal labour, and small businesses (Jayati et al., 2017). Many businesses, particularly those in the unorganized sector, experienced a temporary slowdown. The move was initially associated with a decline in India's GDP growth rate (Echeverri et al., 2021, pp. 420-422). The informal economy, which largely operated on cash transactions, faced challenges during the transition. One of the intended outcomes was to formalize the economy by encouraging digital transactions and promoting a shift towards a less-cash society (Chandrasekhar & Ghosh, 2017). This objective aimed to bring more transactions into the formal financial system.

Demonetization resulted in a significant influx of cash into the banking system as people deposited their old currency notes. This boosted the liquidity of banks, enabling them to lend more, although the impact on credit growth was mixed. Demonetization sparked intense political debate in India. While some supported the government's move as a step against corruption, others criticized it for the economic disruptions it caused, particularly to the poor and those in the informal sector. The policy became a prominent issue in subsequent state and national elections. On the anniversary of demonetization in 2017, there were both commemorations by government supporters and protests by opposition parties, highlighting the ongoing political significance of the decision.[119] The sudden withdrawal of high-denomination notes led to a shortage of cash, causing inconvenience to the public. Long queues formed at banks and ATMs as people rushed to exchange or deposit their old currency.

Demonetization was accompanied by a push for digital transactions and the promotion of financial inclusion. The government emphasized the benefits of using digital payment methods to bring more people into the formal financial system. Although demonetization simply seems to be the withdrawal of a coin and(or) note from use as legal tender, the demonetization experience in 2016 in India became the symbolic experience of top-down financialization, which resulted in huge social costs.[120] It represents the coercive role of the state in financial inclusion (Jain & Gabor, 2020). One of the interesting outcomes of demonetization has come after. Households and businesses quickly deposited their cash in banks leading to a sharp rise in bank deposits in FY2017, with some of these funds being allocated to mutual funds, particularly debt funds, which experienced a notable growth in assets under management in the same fiscal year (Sengupta et al., 2021, p.8).

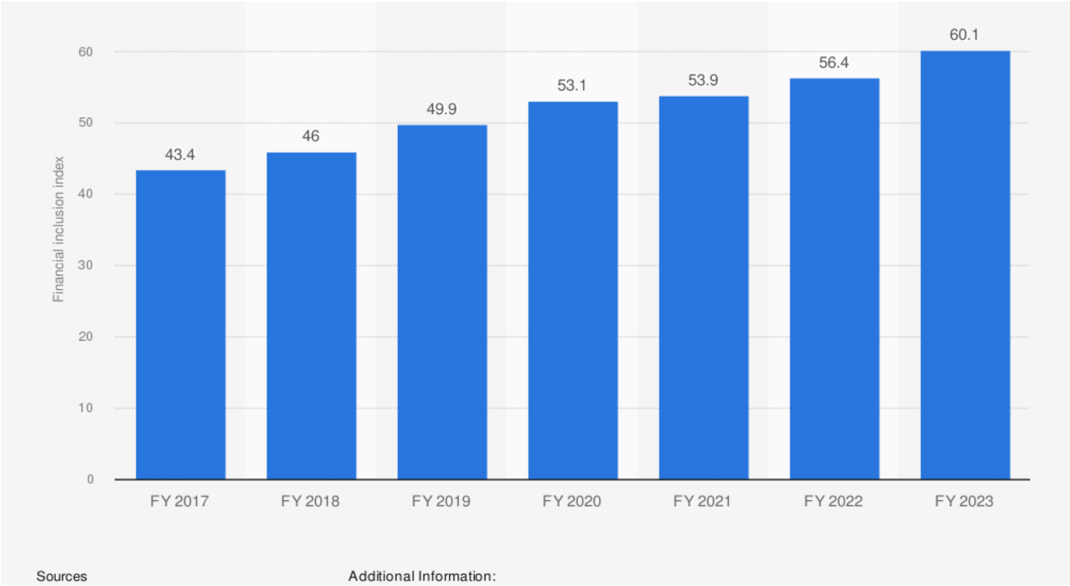
3.3.2. Pradhan Mantri Jan Dhan Yojana (PMJDY)

Launched on August 28, 2014, by Prime Minister Narendra Modi, the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme is a state-driven financial inclusion initiative in India aimed at providing universal access to banking facilities. The scheme's primary objective is to ensure that every household in India has at least one bank account, thereby promoting financial literacy, direct benefit transfers, and financial stability among the economically marginalized sections of society. As of 2024, over 526 million accounts have been opened under the scheme, with a

[119] https://www.aljazeera.com/features/2017/11/8/black-day-protests-mark-demonetisation-anniversary .

[120] The macroeconomic and social aspects of the demonetization is examined in the book of *Demonetisation decoded: A critique of India's currency experiment* (2017, Routledge) by Jayati Ghosh, C. P. Chandrasekhar and Prabhat Patnaik.

cumulative balance exceeding ₹2.301 trillion (approximately $28,061 billion) and approximately 357 million RuPay debit cards issued.[121] The scheme has facilitated the integration of a large section of the unbanked population into the formal financial system, providing them with access to a range of financial services, including savings, credit, insurance, and pensions.



Source: *The Hindu* from the Reserve Bank of India

Figure 3. 10. Financial Inclusion Index in India

3.4. Concluding the Process of Making

Financialization is a "variegated process, playing out differently across economic sectors and countries" (Karwowski et al, 2019, p.10). The experience of India's financial deregulation, financial globalization, and strategic selectivities of the Indian state in terms of capital account liberalization and regulation of the financial sector indicate the steady transition towards market-based finance via various mechanisms. The examination of financialization in India reveals a complex and evolving process that intertwines economic, political, and social dimensions. This chapter examines the multifaceted nature of financialization in India, emphasizing the significant developments and peculiar aspects within the context of the neoliberal

[121] https://pmjdy.gov.in/account .

developmental state. The analysis highlights several key areas: the nature of the financial system, state interventions, and the broader implications of financialization on the Indian economy. Financial deregulation and globalization have significantly transformed the roles and activities of financial institutions in India. Banks have expanded their operations to include non-banking activities, while non-bank financial institutions (NBFCs) have started to engage in banking functions. These changes are primarily driven by the integration into international financial markets and the adoption of financial globalization strategies.

The state's role has shifted from channelling savings to financing public and private investment towards more complex engagements in financial matters due to deregulation and globalization. Key aspects of this process include capital account liberalization, demonetization, and the rise of NBFCs. These elements illustrate the unique trajectory of financialization in India, characterized by both gradual transformations and abrupt policy interventions. For instance, capital account liberalization has been a controlled process, whereas demonetization represented a sudden, top-down approach with significant social costs. The state-finance nexus in India presents a complex interplay between state interventions and financial market dynamics. The state's role has evolved from a developmental state model, focusing on channelling savings for investment, to a more deregulated and globalized financial system. This transition has brought about challenges, such as the IL&FS crisis and the proliferation of shadow banking activities, which have raised concerns about financial stability and regulatory oversight. The financialization of India is a variegated process, influenced by both domestic policies and global financial trends. It demonstrates the strategic selectivities of the Indian state in navigating financial deregulation, globalization, and inclusion. The experiences of capital account liberalization, demonetization, and the PMJDY highlight the diverse and sometimes contradictory pathways of financialization in India. Understanding these dynamics is crucial for assessing the broader implications of financialization on India's economy. By integrating these critical aspects, this chapter provides a comprehensive overview of the financialization process in India, emphasizing the state's role and the resulting economic transformations. The analysis serves as a foundation for further discussions on the current form of the Indian state.

CHAPTER 4

FINANCIALIZATION OF THE NEOLIBERAL DEVELOPMENTAL STATE: FINANCE-DIVERTED STATE IN INDIA

> *It is hard to say at any moment whether the state is guiding capitalism, or capitalism leading the state by the nose. Neither has leisure or taste for long-term planning; both are reduced to hasty, improvised decisions, to get them out of one awkward corner into another—hand to mouth tactics with no more distant perspective than the next election or the balance sheet for the next shareholders' meeting. Questioners are referred to the 'market' for answers; the economy, like the Newtonian universe, is a self-regulating clock which will go for ever. But the voice of the market is that of the speculator— bull or bear—as the voices of the ancient oracles were those of their priests. And today all governments that have relied on armaments for jobs and profits are faced with a nightmare they never expected to encounter.* (Kiernan, 1990)

4.1. Introduction

The dynamics of the state-finance nexus have altered under financial deregulation and financial globalization in the neoliberal developmentalist era. The epoch of financialization has not been only about the transformation of the banking system, the rise of shadow banking, financial services "improvements", increasing operational capacity of international banks or high levels of international financial flows, but it has also been about changes in the *institutional ensemble* of the state in India.[122]

The significance of central planning in developmental state form has lost its moment with the epoch of neoliberal developmentalism; however, the Planning Commission has preserved its maintenance until 2015. The abolishment of the 64-year-old supreme policy-making organization, the Planning Commission, and the

[122] For a similar terrain study focusing on Turkey, Yalman, G.L. & Marois, T. & Güngen, A.R. (Eds.) (2019). *The political economy of financial transformation in Turkey*. Routledge.

establishment of the NITI Aayog represents the transformation of the strategic selectivities of the state project since the NITI Aayog represents a new formulation of “a shared vision of national development priorities, sectors and strategies” in the 2010s.[123] The changing pattern of development priorities and strategies has also been reflected in the governance and implementation of development finance. The acceleration of the Public Private Partnership (PPP) projects and changes in their financing schemes in infrastructural investments have gone hand in hand with state restructuring -the new Development Financial Institution (DFI) has been established-. Understanding how the governing body of the central Indian state recently transformed from a developmentalist structure to a finance-oriented structure, following and relatedly exploring how the form of development finance changed, are significant in elaborating on the transformation of the Indian state in the 2010s. When all these developments are considered together, i.e. how all these transformations speak to the change in the form of the Indian state is the epicentre of the discussion.

Financialization literature has been discussing state financialization, which interchangeably refers to the financialization of the state with various parameters. The rethinking of finance and the state together goes beyond the boundaries of public finance nowadays, thanks to the complicated dynamics of market actors, households, and governments with finance. The argument is here -it is based on a broader theoretical stance through the thesis from developmental state to neoliberal developmental state in addition to empirical analyses on the ground specific to financialization- that the financialization of the state and the financialization by the state are not separate processes, even in analytical positions for analysing the empirical mechanisms of the processes (Schwan et al., 2020). Therefore, using the finance-diverted state concept is an operational concept to show both continuity and transformation of the state form from a neoliberal development state to a “financialized” state in India in the 2010s. The use of “-diverted” very well represents the process that is being described. The Cambridge Dictionary defines the verb “to divert” as “to cause something or someone to change direction” and “to take

[123] NITI Aayog, Objectives and Features. https://www.niti.gov.in/objectives-and-features .

someone’s attention away from something”[124]. In the development framework, finance changes the direction and takes *developmentalism*’s attention away.

A finance-diverted state prioritizes financial motives and mechanisms in its policy-making and governance processes. In India, this shift is evident that policies are increasingly designed to attract and facilitate private investment, often prioritizing financial returns over broader socio-economic goals and the regulatory environment is geared towards creating a conducive atmosphere for financial markets and institutions in addition to the delivery of public services and infrastructure development relies heavily on financialized mechanisms. The financialization of the state in India represents a profound transformation in the country’s political economy. From i) the transition of the Planning Commission to NITI Aayog, ii) the shift from traditional DFIs to Public Private Partnerships (PPPs) and the establishment of the National Bank for Financing Infrastructure and Development (NaBFID) under the development finance rubric, this process has reshaped the roles, functions, and priorities of the form of the state. The chapter initially discusses state financialization in the literature; then, it focuses on the NITI Aayog as the primary economic policy body of the new era. Then, the changing nature of development finance is examined. Lastly, the changing dynamics of the state-finance nexus in the 2010s India is framed with the new form of the Indian state as a finance-diverted state.

In brief, the financialization by and of the state refers to both the increasing influence and reliance on financial markets, financial motives, and financial actors in formulating and implementing state policies and restructuring the state with these parameters. In the context of India, this phenomenon has transformed the roles and functions of state institutions, reshaping the governance and economic landscape. This chapter explores the financialization of the neoliberal developmentalist state in India, focusing on the transition from the Planning Commission to NITI Aayog, the shift from traditional DFIs to PPPs and the establishment of the NaBFID -new DFI- and frames the new form of the Indian state as finance-diverted state.

[124] https://dictionary.cambridge.org/dictionary/english/diverted .

4.1.1. A Glance at State Financialization

The major challenge in examining financialization stems from the need to define "mediations" that connect the rise of financial imperatives in capitalist development (Lapavitsas, 2011, p.618; Jessop, 2013). These mediations compromise defining corporate strategies of different capital fractions (industry, finance, trade), international and(or) domestic/public and(or) private bank operations, financial activities of working classes, "the articulation of financial markets with each other and with the rest of the economy" and "the interventions of the state" (Lapavitsas, 2011, p.618). In short, "to show how industry, banks, workers, financial markets and so on have become 'financialized', individually as well as jointly" has become the main issue in the literature (ibid.).

The role of the state and the forms of interventions of the state, i.e. strategic selectivities of states in the financialization process, is one of the most empirically stagnant research areas in studies of financialization (Karwowski, 2018; Karwowski, 2019). The state plays a significant role, with governing bodies reorganizing to centralize political and economic authority around key financial institutions such as the treasury, central bank, banking regulators, and ministries overseeing finance and the economy (Yalman et al., 2019, pp. 11-12). In the process of financialization, the role of the state -with all these governing bodies and other means and tools of policy-ranges from easing conditions to accelerating, even forcing (demonetization experience in India, Chandrasekhar & Ghosh, 2017) finance-led accumulation (van der Zwan, 2014). Analysing the role of state intervention in pushing for financialization, i.e. financialization by the state, is very crucial for historicizing financialization (Yalman et al., 2019). The process is not one-dimensional; rather, financialization by the state has to be consistent with policies and institutions within the realm of governance (Bryan et al., 2020).

As Costas Lapavitsas and Aylin Soydan argued, "the recent literature on financialization in developing countries is partly theoretical but mostly empirical" (Lapavitsas &Soydan, 2022, p. 440), and state financialization is discussed with a particular focus on the realm of public finance in general and public debt in specific

(Krippner, 2011). Thus, issues of "sovereign debt management", "government debt management reforms", "sovereign bond market" and "the entrance of financial markets in the management of public debt, extending financial logic to the public sphere" are mainly framed under the phenomenon of state financialization (Fastenrath et al., 2017; Trampusch, 2019; Marazzi, 2011, p.120; Wang, 2015; Lagna, 2016; Karwowski et al., 2019). Understanding "the mechanics of how and from whom governments borrow money" is crucial since state financialization is not solely about it (Fastenrath et al., 2017, p. 274). For instance, India's public debt-to-GDP ratio at the general government level has barely increased from 81% in 2005-06 to 84% in 2021-22 and back to 81% in 2022[125]. Importantly, David Karas highlights that "whereas the active role of the state in steering financialization is widely accepted in advanced economies, financialization in developing countries is typically viewed through the lens of dependency, which minimizes the domestic political functions of financialization and the state's agency" (Karas, 2021, p.30). To put a long discussion short, state financialization literature suffers from the lack of theory-driven framing in developing countries due to underestimating the role of domestic political and economic conditions in the process of financialization. Thus, taking a closer look at India's domestic-level experience is significant in linking macro trends with domestic experiences.

According to Ewa Karwowski, state financialization is "the increasing influence of financial logics, instruments, markets and accumulation strategies in state activities" (Karwowski, 2019, p. 1019). The four mechanisms "**in** and **through** public institutions and policies" (emphasis mine) are listed as:

i. the adoption of financial logics,
ii. advancing financial innovation (i.e. the promotion and creation of new financial instruments and markets)
iii. embracing financial accumulation strategies,
iv. financialising the lives of their citizens.

[125] India: 2023 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for India, IMF.
https://www.elibrary.imf.org/view/journals/002/2023/426/002.2023.issue-426-en.xml?cid=542605-com-dsp-crossref

Thus, the detachment of finance-led accumulation from the form of state intervention in the economy makes no sense in the process (ibid., p. 1002). The recent studies on state financialization should reconsider the significance of the fact that "state transformation and financialization are endogenously connected" (Wang, 2020, p.188). Yingyao Wang's contribution is critical in that sense; in the process of financialization, the state-finance nexus has taken a specific form under these parameters: "the engagement of the state with finance has provided the state with opportunities for self-invention" and "rebuilding the state in the image of finance altered the organizational makeup of the state" as well as "sovereign power of the state has leveraging effects on finance via various forms of sovereign promises and guarantees" (ibid.). So, the assumption of "finance expanded at the expense of the state" should be interrogated (ibid.) and unpacking "the conception and the organization of the state and ask specifically how state ideas, state organizations and state-making processes dovetailed with the expansive mechanisms of finance" is very relevant (Wang, 2020, p.192). In contemporary capitalism, an "investigation into the extent to which authority structure of the states or parastatal organizations supplied the infrastructure of finance or altered states' own relational infrastructures in accordance with the image of finance" has become the new agenda of state financialization literature (Wang, 2020, p.193). Clearly, governments possess a distinct capability to utilize finance by employing securitizing methods and by relying on implicit trust in their commitment to uphold financial operations and act as the primary safeguard (ibid.). As in the period of neoliberalism, the issue "was never really about the withdrawal of the state from markets" (Christophers, 2017, p.62); similarly, today, the issue is not state vs. finance. Rather, it is state and finance.

In a similar terrain, Karen P.Y Lai proposes "a renewed engagement with a political-economic lens and focus on state-finance relations illuminate the changing positionalities of economies and financial actors in the spatial organisation of international financial and monetary relations" because "states do not only act as regulators or stabilisers of offshore financial space but also actively create it". Considering the connection between state and finance, "challenging the narrative of competition between (Western) democratic free-market capitalism and (Eastern) authoritarian state capitalism" becomes important (Lai, 2023, p.598). To emphasise the endogenously connected nature of financialization by the state and the financialization of the state, the finance-diverted state concept is preferred over state financialization. The concept implies strategic selectivities of the state in India in the 2010s in addition to underlining the form of the state under financial imperatives.

4.2. "Transforming India's Development Agenda": From the Planning Commission to the NITI Aayog

Narendra Modi's first Independence Day speech at the Red Fort held considerable importance. He announced the objective of the abolishment of the Planning Commission (PC) with these words:

> We will have to think about giving the Planning Commission a look. So, I am saying from the rampart of the Red Fort that it is a very old system, and it will have to be rejuvenated; it will have to be changed a lot. Sometimes, it costs more to repair the old house, but it gives us no satisfaction. Thereafter, we have a feeling that it would be better to construct a new house altogether and therefore, within a short period, we will replace the planning commission with a new institution having a new design and structure, **a new body, a new soul, a new thinking, a new direction, a new faith** towards forging a new direction to lead the country based on creative thinking, **public-private partnership**, optimum utilization of resources, utilization of youth power of the nation, to promote the aspirations of state governments seeking development, to empower the state governments and to empower the federal structure. Very shortly, we are about to move in a direction when this institute would be functioning in place of Planning Commission.[126]

The PC was founded in 1951 as "an extra-constitutional, non-statutory body, which means that it was not founded by an Act of Parliament but by a resolution of the Cabinet and the prime minister is its chairman" for the sake of designing the five-year plans (Guichard, 2020, p. 24). Although the PC was a central institution in India's developmental state framework, the golden era of the PC was the period under the supervision of world-known statistician Mahalanobis' second and third five-year plans. It was responsible for formulating five-year plans, allocating resources, and steering the country's industrialization through a planned approach.

[126] Narendra Modi's first Independence Day speech: Full text https://www.indiatoday.in/india/story/narendra-modi-independence-day-speech-full-text-red-fort-204216-2014-08-15 .

The PC played a crucial role in directing public investment into key sectors and regions, ensuring balanced growth in the era. The 1970s onwards were the years of criticism of the PC, and the need for reform used to be announced publicly in the ruling term of the UPA governments in the early 2000s[127], but the PC continued its place in economic governance until 2015.

In 2015, the Modi government replaced the PC with the NITI Aayog (National Institution for Transforming India). This transition marked a significant shift towards a different approach to economic policy-making. The establishment of the NITI Aayog has not solely been a symbolic policy initiative, but the institution has been playing a significant transformatory role in the country since 2015.

Officially, NITI Aayog was conceived as a think tank and policy advisory body to foster cooperative federalism and promote evidence-based policy-making. Unlike the PC, NITI Aayog does not have the authority to allocate funds. Instead, it focuses on policy formulation in terms of providing strategic and technical advice on key policy issues, collaboration between the central and state governments, as well as with private sector and civil society organizations and monitoring and evaluation of policies and programs. On the actual ground, the NITI Aayog has embraced a governance model that relies more on market mechanisms, private sector participation, and financial instruments. The “transformation” of the development agenda has two aspects: accelerating the financialization of the country and financializing development itself. Thus, elaborating on NITI Aayog’s policy formulations and measurements is crucial to show the changing nature of the country’s development agenda.

Despite the rhetoric of fiscal and cooperative federalism, the NITI Aayog has functioned “as a technocratic space responsive to the central government rather than the states, making large increases in Central Sector and Centrally Sponsored Schemes since 2016; and establishing direct communications between the Prime

[127] Planning Commission needs to be revamped: Prime Minister Manmohan Singh (May 2014). https://economictimes.indiatimes.com/news/economy/policy/planning-commission-needs-to-be-revamped-prime-minister-manmohan-singh/articleshow/34444318.cms?from=mdr

Ministry Office (PMO) and state-level bureaucrats to the exclusion of Chief Ministers and state governments" (Echeverri-Gent et al., 2021, p.404). A similar critique, which is on the changing nature of the power relations in centre-state dynamics in federative structure on behalf of the centre, was made in the literature (Sengupta, 2015) (Swenden & Saxena, 2017). Rather than solely focusing on the aspect of centre-state relations, there is a need to analyse the NITI Aayog from a political economy perspective.

Although the NITI Aayog seems to be a public think tank on paper under the chair of the Prime Minister[128], its role in policy-making framework and strategies is very significant in terms of not only forming policies related to development but also leading and accompanying their implementations. The NITI Aayog's development agenda is based on "finance as development", "financialization for financing development policies", and "financialization by development policies" (Chiapello et al., 2023, p. 8). Thus, analysing the NITI Aayog from this perspective contributes to understanding the state form in India in the 2010s.

Tracing changes in the economic governance of the country from the PC to the NITI reflects the change in the state form and strategic selectivities of the state in the process. From a developmental state to a neoliberal developmental state, policy debates circling around the PC go beyond the focus of the thesis[129]. Thus, the NITI is discussed as a crystallized institution in a finance-diverted state.

4.2.1. The NITI Aayog's development agenda

The report, which compromised details of the founding principles of the NITI Aayog, was shared with the public under the document titled "From Planning to

---

[128] The chairperson of the NITI Aayog is the Prime Minister of India, and the governing council comprises the chief ministers of all states and lieutenant governors of Union Territories. The vice-chairperson, who is appointed by the Prime Minister, is the full-time officer of the NITI.

[129] For detailed debates: Mehrotra, S. & Guichard, S. (2020) (Eds.). *Planning in the 20th century and beyond: India's Planning Commission and the NITI Aayog*. Cambridge University Press.
Menon, N. (2022). *Planning democracy: Modern India's quest for development*. Cambridge University Press.

NITI Aayog Transforming India's Development Agenda" on 8th February 2015.[130] The report argues that "the new institution will be a catalyst to the developmental process, nurturing an overall enabling environment, through a holistic approach to development, going beyond the limited sphere of the Public Sector and Government of India" (p.2). The limitation of the public sector was framed as:

> The nature of our economy and the role of the Government in it has undergone a paradigm shift as well. Driven by an increasingly open and liberalized structure, our private sector has matured into a vibrant and dynamic force, operating not just at the international cutting edge, but also with a global scale and reach. This changed economic landscape requires a new administrative paradigm in which the role of Government must evolve from simply allocating resources in a command and control eco-system, to a far more nuanced one of directing, calibrating, supporting and regulating a market eco-system. **National development must be seen beyond the limited sphere of the 'Public Sector'. Government must thus transition from being a 'provider of first and last resort' and 'major player' in the economy to being a 'catalyst' nurturing an 'enabling environment' where the entrepreneurial spirits of all, from small self-employed entrepreneurs to large corporations, can flourish.** (p.5)

The NITI Aayog's member economist, Arvind Virmani's policy paper, "Bharatiya Model of Inclusive Development", shares a similar vision.[131] The paper lists policy and institutional reforms between 2014 and 2022. The list explicitly shows the Indian government's priorities in terms of development in the era (Table 4.1). Virmani puts priorities as "liberalisation of the goods and services markets & factor markets (which were untouched by earlier reforms), exploration & mining of natural resources, private construction and maintenance of infrastructure, reform of public sector enterprises, banks and financial institutions, and promotion of digital & green economy".[132] These priorities reflect classical neoliberal developmentalism; however, accelerating infrastructural private investments and financial inclusion are the most feasible targets and achievements of the NDA governments (Table 4.1). Financial inclusion is listed under social welfare measures policies in a way that may seem strange but consistent with the new development mantra. Shortly, for Virmani, "the Indian model of inclusive growth, viewed from a development economics

---

130 https://www.pmindia.gov.in/wp-content/uploads/2015/05/NITI-08.02.2015.pdf .

131 Bharatiya Model of Inclusive Development, Sabka Sath, Sabka Vikas, Sabka Vishwas, Sabka Prayas https://niti.gov.in/sites/default/files/2023-06/NITI_policy-paper_BMID_2023-May.pdf .

132 Ibid.

perspective", compromises "(1) Market economics, (2) Empowerment, and (3) Pragmatism". The pragmatism aspect is emphasized in reference to infrastructure and financing infrastructure; "the assignment of different bundles to the private sector, the public sector and to Public-Private Partnership (PPP), based on effectiveness, efficiency, cost minimisation, and quality maximisation".[133] Interestingly, another "pragmatic" aspect is shown as the involvement of large conglomerates in these infrastructural investment projects. The emphasis is very significant in showing how the development is perceived by policy formulations and implementations by the NITI Aayog economists.

> However, the conventional approach (*neoliberalism, author's note*) is pragmatically adapted to new developments in industrial structure (e.g infrastructure) and special conditions of India (even largest companies are small compared to USA, EU), and its stage of development. As only established, diversified conglomerates can raise the capital needed to compete with large, well established foreign companies (infrastructure, construction, mainstream media, social media), in long gestation projects, characterised by regulatory & policy risk, provision of some support to promote the formers entry can increase competition (instead of reducing it) (*derisking, author's note*) (Virmani, 2023, p. 12)

Table 4. 1. Policies and Reforms in 2014-2022 (selected mainly Infrastructure & Monetization)

National Highway: Bharat Mala, NHDP
Railways: Dedicated Freight corridors, private tourist trains, stations
Mass transit systems for Metro cities
Ports: Private minor ports & fishing harbours, Pvt berths & other services in major ports
Airports: Private airports (PPP) & Pvt services
Waterways, river ports & jetties, cargo barges, cruise ships
• Monetization of Assets o Unbundling infrastructure assets (Airport, port, railway, waterway) o Pvt Servicing & Management (PPP) o Highway (NHAI) o Gas pipelines (GAIL): Direct access, public carrier o Urban infra: Sports stadia (=> private management)
• PSB regulatory risk (CAG)

[133] Ibid.

Table 4.1. (continued)

• Asset Reconstruction Company & AMC
• IDBI privatization
• Insurance o GIC privatization of ¼ companies accepted. o LIC disinvestment accepted.

Source: Virmani, 2023 [134]

The model, which is summarized by Arvind Virmani, shows the context of the NITI Aayog's working principles and policy toolkit. As a body directly under the supervision of the Prime Minister, the NITI Aayog operates to facilitate financializing the public sector and to flourish private sector investments. The former is mediated through asset monetization of public resources, and the latter is mediated by the appraisal of PPPs. In other words, monetization and the appraisal role in PPP projects are two functions of the NITI Aayog in economic governance. A closer look at these mechanisms for accelerating infrastructural private investments shows that financial mechanisms have recently become the main strategic tool for promoting infrastructural growth in the country. Asset monetization initiative guidance and the appraisal role in PPPs are two main mechanisms in which the NITI Aayog has a regulative role.

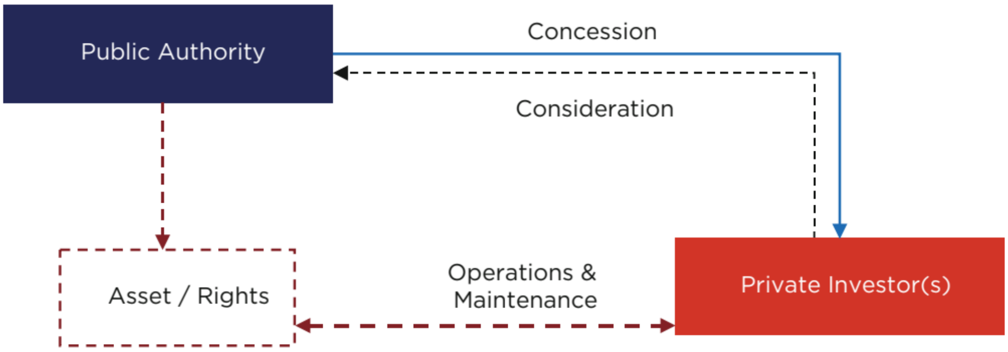
4.2.2. Asset Monetization

Asset monetization, or asset or capital recycling, is a globally practised business strategy. In the state realm, asset monetization involves granting a limited-period license or lease of an asset owned by the government or a public authority to a private sector entity in exchange for an upfront or periodic payment (Figure 4.1) Infrastructure assets typically include categories such as transportation (roads, rail, ports, airports), power generation, transmission networks, pipelines, and warehouses. Other assets, generally including land parcels and buildings, are categorized as non-core assets.[135] Asset monetization should be considered not only as a means of

[134] Bharatiya Model of Inclusive Development, Sabka Sath, Sabka Vikas, Sabka Vishwas, Sabka Prayas https://niti.gov.in/sites/default/files/2023-06/NITI_policy-paper_BMID_2023-May.pdf.

[135] National Monetisation Pipeline Volume I: Monetisation Guidebook https://www.niti.gov.in/sites/default/files/2023-03/Asset%20Monetization%20Pipeline.pdf .

raising funds but also as a comprehensive strategy to facilitate a fundamental change in the way infrastructure operates. The policy is a strategic initiative aimed at transforming tangible public assets into intangible financial assets under the guidance and facilitation of the state.



Source: NITI Aayog[136]

Figure 4. 1. Asset monetization structure

Nirmala Sitharaman, Minister of Finance, announced the National Infrastructure Pipeline (NIP)-7,400 infrastructure projects- in December 2019. In the 2021-2022 Budget, she proposed three measurements for infrastructure financing: "i) creating the institutional structures, ii) monetizing assets and iii) enhancing the share of capital expenditure in central and state budgets".[137] A significant measurement was proposed, enabling foreign portfolio investors to access infrastructure investment trusts (InVITs) and real estate investment trusts (REITs) via legislative changes. Another measurement was declared as monetizing operating public infrastructure assets. This is delegated to the NITI Aayog.

InVITs are investment vehicles in India designed to pool money from various investors to invest in infrastructure projects under the Securities and Exchange Board of India (SEBI) regulation. Similar to mutual funds, InVITs allow individual and institutional investors to invest in infrastructure assets, thereby earning a portion of the income generated from these assets. They are created to invest in revenue-generating infrastructure assets such as highways, power transmission lines,

[136] Ibid.

[137] Finance Minister's Speech https://www.indiabudget.gov.in/budget2021-22/.

renewable energy projects, and other infrastructure sectors. An InVIT typically consists of a sponsor (promoter), a trustee, an investment manager, and a project manager. The sponsor sets up the trust, the trustee oversees the operations, the investment manager makes investment decisions, and the project manager manages the infrastructure assets. InVITs issue units to investors, similar to shares in a company. These units can be listed and traded on stock exchanges, providing liquidity to investors. The income generated from the infrastructure assets, such as tolls from highways or tariffs from power transmission lines, is distributed among the unit holders as dividends or interest. REITs are not unique to India, but in India, they are relatively new and have gained traction since their introduction in 2014. They provide a way for investors to invest in the real estate market without owning physical property. REITs are listed and traded on stock exchanges, providing liquidity to investors. The units of REITs can be bought and sold just like shares of publicly traded companies.

For the sake of monetization, the National Highways Authority of India (NHAI) sponsored one InvIT to get international and domestic institutional investors. Five operational roads are being transferred to the NHAI InvIT. Power Grid Corporation of India (PGCIL) sponsored another InvIT to get international and domestic institutional investors, too. In that Budget speech, Minister Sitharaman declared that monetization continues with railways -Dedicated Freight Corridor assets- airports -operations and management concession, NHAI Operational Toll Roads, Transmission Assets of PGCIL, oil and gas pipelines, etc.[138]

The NITI Aayog was assigned the responsibility of developing the National Monetisation Pipeline (NMP) for existing core infrastructure assets. Thus, the NITI Aayog prepared a guidebook for monetization “as a ready-reckoner for public authorities and investors while going about the asset monetisation process” in 2021. In the guidebook, unlocking “the value of investments in public sector assets by tapping private sector capital and efficiencies” is underlined as a strategic objective of asset monetization (p.9). It is also highlighted that asset monetization “enhances

[138] Finance Minister’s Speech https://www.indiabudget.gov.in/budget2021-22/.

investment opportunities, depth and liquidity in infrastructure as an asset class" by "incentivizing specialized investor classes", particularly domestic and foreign pension funds (Figure 4.2).

Budgetary Sources	Private or Extra Budgetary Sources	Innovative and alternative financing sources
Central Budget (18-20%)	**Financing by Banks** (8-10%)	**Innovative and alternative financing** (15-17%)
	Bond Markets (6-8%)	
State Budget (24-26%)	**Infrastructure NBFCs** (15-17%)	
	PSU Accruals, Equity and Others (8-15%)	

Source: NITI Aayog[139]

Figure 4. 2. Sources of financing for NIP

The NITI Aayog has recommended two asset monetization models for the public sector. The Direct Contractual model mainly targets "infrastructure developers, strategic investors with direct involvement/oversight in operations", whereas Structured Financing Instruments target "institutional investors such as sovereign wealth funds, global/domestic insurance funds, pension funds- retail investors" (Figure 4.3)[140]

'Direct Contractual' Approach	Structured financing models
Concession/ contract between a public entity and identified private sector developer(s)/ investor(s)	Structured instruments for long-term fund generation via capital markets or through a pool of investors

Source: NITI Aayog

Figure 4. 3. Asset Monetization Models

[139] National Monetisation Pipeline Volume I: Monetisation Guidebook https://www.niti.gov.in/sites/default/files/2023-03/Asset%20Monetization%20Pipeline.pdf .

[140] Ibid.

The NITI Aayog does not solely create a model for asset monetisation; it has a significant role in the implementation of the PPPs. The institution has specialized verticals, one of which is the PPP Vertical, which is steering the recycling and monetisation of various core infrastructure assets.

In the blurry line between public and private, monetization of public assets is not unique to India. Critical geographers and economists have been analysing the process of financialization of infrastructure for a while (O'Neill, 2019; O'Brien et al., 2019; Bayliss et al., 2023). In addition to the leading role of the state in the process, restructuring of the state is also examined (O'Brien et al., 2019; Bayliss et al., 2023). However, these studies mainly focus on developed countries' experiences. Although PPPs in India will be discussed in the transformation of development finance section, the appraisal role of the NITI Aayog in PPPs is underlined here.

4.2.3. The appraisal of PPPs

The PPP Vertical of the NITI Aayog mainly appraises PPP projects.[141] The Vertical develops guiding principles and models concession agreements for various sectors. It reviews and provides feedback on Central Government PPP projects through the PPPAC and/or State Financial Corporations (SFCs) processes. The Vertical is implementing projects such as Redevelopment of Railway Stations through Public-Private Partnership, Passenger Train Operation by Private Sector through Public-Private Partnership, Eco-Tourism Facilities through Public-Private Partnership, Redevelopment of Jawaharlal Nehru (JLN) Stadium on PPP Mode, Ropeway-Based Public Transportation System via PPP Mode, Scheme for Inviting Private Investment in Medical Education, Enhancement in Viability Gap Funding for Social Sector, Model Concession Agreement for e-Buses, Guidelines for Stuck Highways Projects, Model Concession Agreement for Automated Inspection and Certification (I&C) Centres for Transport Vehicles and Model Concession Agreement for Multimodal Logistic Parks.[142]

---

141 https://www.niti.gov.in/verticals/ppp .

142 Ibid.

The NITI Aayog's asset monetization is a manifestation of financialization as it involves leveraging financial markets and instruments to generate revenue from public assets. The government has implemented various de-risking mechanisms to attract private investment in asset monetization schemes. These mechanisms aim to mitigate risks associated with revenue generation, regulatory changes, and project execution. The NITI Aayog's policy objectives and implementation go hand in hand with the transformation of development finance in the country. Financialization within this realm shows that "transforming India's development agenda" is not solely related to the establishment of the NITI Aayog.

4.3. Transforming Development Finance: From DFIs to PPPs and the Birth of the NaBFID

Development finance as a separate subject is quite a new field (Spratt, 2009). Undoubtedly, financing development, or in other words, the relationship between finance capital and state and (or) development, is an age-old and significant issue that almost defines the nature of the functioning of the capitalist state. In the mainstream literature, financial institutions, in particular banks, are financial intermediaries for mobilising savings and allocating credits at the most basic level. Private banks and private financial institutions direct surplus capital derived from households and firms to capital markets and facilitate money circulation through financial services.[143] In addition to these functions in the private sphere, the national and international financial institutions function as debtors to governments via sovereign funds to finance government expenditures or even fiscal deficits (ibid.). In theory, all financial logic (regardless of public and private) depends on the efficient allocation of capital sources for productivity. Obviously, governments regulate the national financial system and intervene directly in the operation through development banks and public banks. Central banks issue fiat money and formulate monetary policy (as money suppliers, liquidity providers, lenders of last resort, and

[143] The debate on the creation of money and the role of the banking system goes beyond the thesis. For insightful debates: Wray, L. R. (2014). *From the state theory of money to modern money theory: An alternative to economic orthodoxy*. Levy Economics Institute, Working Papers Series, Working Paper No. 792 and Bell, S. (2001). The role of the state and the hierarchy of money. *Cambridge Journal of Economics, 25(*2), 149-163.

executors of the national payment system and exchange rate policy) in addition to being the bankers of governments and banks. On a supranational scale, Multilateral Development Banks (MDB) provide financial assistance, technical expertise, and policy advice in the sphere of development finance. Development finance provides the foundation and overall framework for development priorities and goals and identifies the areas where investment is needed.

The "finance gap", i.e. inadequacy of public resources for financing development, has recently been an unquestionable motto of governments and MDBs. The motto calls into private investment, and the term "blended finance" has been getting much more attention. Blended finance combines public and private capital to support development projects and achieve "sustainable development goals" for many international organizations.[144] It involves leveraging public resources, such as concessional loans or grants from governments, international organizations, or "philanthropic" funds, with private sector investment. The main goal of blended finance is to mobilize additional investment by reducing the risks and increasing the returns associated with sustainable development projects. The risks must be elaborated since the whole private-led or blended finance frame is rooted in the jargon about these risks; "credit risk - the danger of default, market risk- the risk of loss caused by sudden changes in asset prices, liquidity risk- the risk of being unable to sell financial assets quickly without loss and systemic risk- the risk of contagion from another bank or commercial institution" (Spratt, 2009, p. 10). In the "risk" framework, the public resources and mechanisms of development finance help to address so-called "market failures" and increase the bankability of projects, making them more attractive to private investors.

For instance, the UN declared a global framework for financing development post-2015 in the final text of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (shortly known as the Addis Ababa

[144] For instance, The World Bank's "from Billions to Trillions" initiative has been launched in 2015. https://thedocs.worldbank.org/en/doc/6228414859637354480270022017/original/DC20150002EFinancingforDevelopment.pdf. The High-Level Meeting of the OECD Development Assistance Committee (DAC) put the role of blended finance on the agenda in February 2016. https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/Blended-Finance-Bridging-SDG-Gap.pdf.

Action Agenda).[145] The agenda highlights "the importance of robust risk-based regulatory frameworks for all financial intermediation, from microfinance to international banking" and underlines that "some risk-mitigating measures could potentially have unintended consequences, such as making it more difficult for micro, small and medium-sized enterprises to access financial services" (UN, 2015). Whereas the World Bank's "billions to trillions" agenda, reframed as "Maximizing Finance for Development (2017)"[146] proposes that market imperfections and the absence of markets discourage private sector involvement in funding sustainable development projects, therefore suggesting the resolution of such obstacles through "internalizing externalities" and offering subsidies and guarantees to reduce investment risks (Jomo & Chowdhury, 2019). In similar terrain, the G20 agreed on the Hamburg Principles, reinforcing commitments to developing both de-risking facilities, including guarantees, insurance products, blended finance, equity investment, and liquidity backup facilities and changes to the broad policy environments of developing countries.[147] The global development agenda increasingly seeks to amplify the role of private financial actors, a trend evident in the prominence of risk management discourse within policy frameworks. Financial terminology has consequently become a key determinant in setting policy objectives. This shift, often referred to as the "private turn" in development policies (Van Waeyenberge, 2016; Bernards, 2023), underscores a strategic pivot towards greater reliance on private sector participation and financial methodologies in the pursuit of development goals.

It is significant to underline that the private term, i.e. the shift to privatised development finance, goes hand in hand with "reengineering of public finance" under the context of "rebalancing of markets and states" (Kaul & Conceição, 2006, p.3). Public finance has become "less about taxation and expenditure but more about

---

[145] https://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf .

[146] *Maximizing Finance for Development (MFD) (English).* Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/168331522826993264/Maximizing-Finance-for-Development-MFD

[147] G20 Hamburg Action Plan, 2017: https://www.consilium.europa.eu/media/23546/2017-g20-hamburg-action-plan-en.pdf

the deployment of fiscal, regulatory and other tools of public administration to harness and complement private sector resources to meet public policy objectives, including global public policy goals" (Tan, 2022, p.5). The aspects and tools of the process compromise:

i. "the channelling of official development assistance (ODA) and other forms of international development finance into private investments, particularly through bilateral or multilateral development finance institutions (DFIs),
ii. the growing establishment of and reliance on public private partnerships (PPPs) with commercial and other private actors for development cooperation,
iii. the proliferation of private development assistance and the emergence of philanthropic foundations and social enterprises as international development actors". (ibid., p.6).

Although "the private turn" in development is not a new formulation that has been on the agenda of international organizations from the late 1990s onwards (Van Waeyenberge, 2016), even the official announcement of the risk of risk-mitigating measurements is significant in terms of showing the huge public and academic debate on the means of the implementation of development policies by promoting private finance: in particular, the Public-Private Partnerships (PPPs) and blended finance. Development financial institutions are agenda-setter organizations in both policy formulation and implementation processes. The role of international financial institutions in the "private finance-led development model", leveraging international private capital flows, has recently been analysed in critical development studies (Romero, 2016; Mushtaq, 2021; Jomo et al., 2016; Gabor, 2021). However, the focus here is the **domestic experience** of development finance in India as a main pillar of **the financialization of the state** as a state project after the 2010s. Thus, in detail, PPPs as the means of implementation and the role of DFIs as financial actors in development finance in India are analysed here.

Despite the shift from post-independence developmentalism and its hallmark state-led development projects to neoliberal strategies, the issue of development remains an *essentia* of the Indian state. Manuel Castells reminds the significance of defining developmental legitimacy in a specific context:

> A state is developmental when it establishes as its principle of legitimacy its ability to promote and sustain development, understanding by development the combination of steady high rates of economic growth and structural change in the productive system, both domestically and in its relationship to the international economy. This definition is misleading, however, unless we specify the meaning of legitimacy in a 'given historical context. (Castells, 1992, p. 56)

Thus, once seen as merely the goal of state elites during the era of planned development, by the 2010s, development had become a critical political issue that could even determine election outcomes (Sinha, 2016) in India. In other words, while development has always been a political economy phenomenon intertwined with the state, capital, and social classes, the way it is framed and understood is crucial.

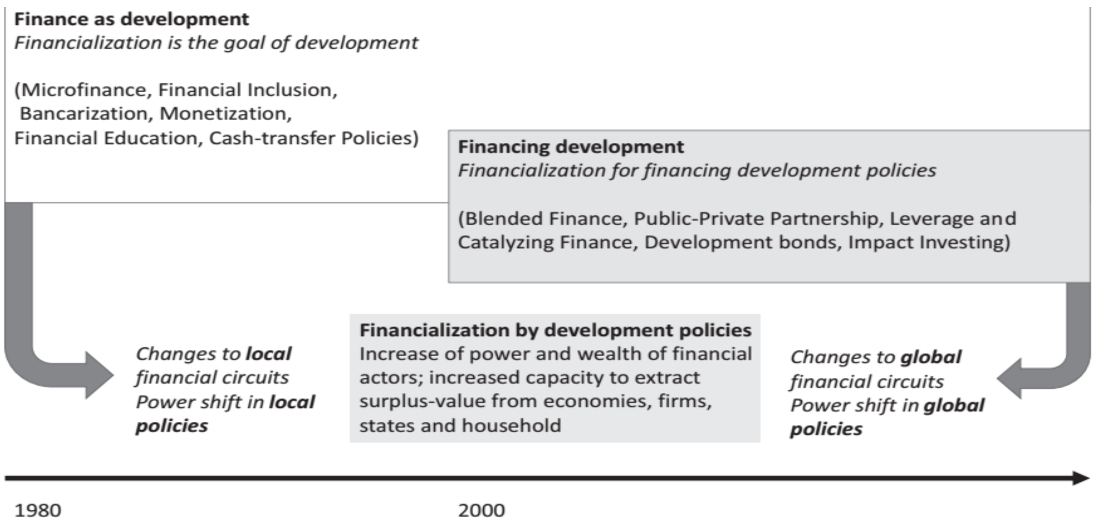
In the process of financialization of development policies, private financial actors enrolled in development finance by integrating financial mechanisms into the policy sphere and financial activities themselves have become a development target (Chiapello et al., 2023, p.3). In other words, financialization diversifies who participates in development (shifting towards private financial actors) and defines how development is conceptualized and executed (using financial sector practices and instruments). Jim Yong Kim, Former President of the World Bank Group explains the shift:

> We believe that **everyone in the development community should be an honest broker who helps find win-win outcomes -where owners of capital get a reasonable return, and developing countries maximize sustainable investments**. There's never been a better time to find those win-win solutions. The trillions of dollars sitting on the sidelines, earning little interest, and the investors looking for better opportunities should be mobilized to help us meet the exploding aspirations of people all over the world.[148]

In that context, highlighting to find "win-win outcomes" for multiple actors which are driven by "non-profit" and(or) "for-profit" sakes in development objectives

[148] Kim, J.Y. (2017, April). Speech by World Bank Group President Jim Yong Kim: Rethinking development finance, World Bank Group. https://www.worldbank.org/en/news/speech/2017/04/11/speech-by-world-bank-group-president-jim-yong-kim-rethinking-development-finance#:~:text=%22%20We%20believe%20that%20everyone%20in,find%20those%20win%2Dwin%20solutions.

defines "the role of official financiers from funders of development and global public goods to brokers of private financing for these purposes" (Tan, 2021, p.4). The outcome of the private turn in development finance, in particular means of blended finance and PPPs, is the creation of a fragmented landscape in development finance (Tan, 2022, p. 10), but more importantly, it is a part of the broader process of financialization of development. Since the content and the implementation of development policies have become financialized, mediators and tools of these policies are redefined in the process. Public authorities have become actors of guaranteeing funds or private equity funds designed to leverage and attract private investors after the 2010s (Chiapello et al., 2023, pp.7-8). Figure 4.4 shows aspects and tools of the process of financialization of development policies.



Source: (Chiapello et al., 2023, p. 8)

Figure 4. 4. Three financialization processes by development policies

This transformation in the development strategy has found its counterpart in India's development policies, especially in the sphere of development finance in the 2010s. Traditional DFIs in India have lost their primary functions in development finance, with PPPs emerging at the forefront of infrastructural development. However, the establishment of the National Bank for Financing Infrastructure and Development (NaBFID) in 2022 marks a significant qualitative transformation in India's development finance landscape, and the NABFID became the rejuvenation of DFIs logic under the financialization process. How the form of development finance changed in India is crucial to explain the transformation of the Indian state's intervention mechanism into the economy. Thus, exploring how development finance has evolved and its impact on the state's strategic selectivities provides crucial insights into the form and function of the Indian state in the 2010s. As Bob Jessop notes, a state project "defines and regulates the boundaries of the state system vis-à-vis the wider society and seeks to provide the state apparatus thus demarcated with sufficient substantive internal operational unity for it to be able to perform its inherited or redefined 'socially accepted' tasks" (2016, p. 84). The governance of development finance is under qualitative transformation under the financialization phenomenon. These transformations in development finance are part of the process of the financialization of the Indian state.

4.3.1. DFIs in India: DFI is dead, long live DFI

If the notion of "development as de-risking" begins with "construct[ing] investible development assets", and the response to this is PPPs, the next question should be how to create a financial landscape that channels funds into these "investible development assets" (Gabor, 2021, p. 431). In other words, the "success" of PPPs depends on the incentives for lenders and(or) creating mechanisms to consider financing it, and these projects require equity and debt financing**.** Considered together, the general problem of asset-liability mismatches thanks to short-term liabilities and infrastructure financing needs long-term assets and the chronic issue of the Indian financial system as non-performing assets (NPA), once the undermined role of traditional DFIs in neoliberal developmentalism now has rejuvenated in the process of financialization of the country in the 2010s. I categorize[149] DFIs as the first wave of DFIs, which represents industrialization and development-focused financial institutions in the developmental era, the second wave of DFIs, which are task-oriented and pragmatic investment institutions or for Deepak Nayyar's terms "sector-specific or specialised institutions" behave as if they had been DFIs in the neoliberal developmentalist era; and the third wave of DFIs, which are infrastructure-

[149] Deepak Nayyar mentions these waves as phases. (Nayyar, 2015).

finance-diverted DFIs of post-Global Financial Crises (GFC) era- the 2010s- (Nayyar, 2015). The categorization can be used for other national DFIs (Table 4.2) in the world, not in terms of institutional change; they are still there but in terms of roles, motives and operations.[150]

Table 4. 2. DFIs in the World

Name of the Institution	Ownership-Year
The European Investment Bank	The EU- 1958
Kreditanstalt für Wiederaufbau (KfW)	Germany-1948
The China Development Bank	China- 1994
Banco Nacional de Desenvolvimento Econômico e Social (BNDES)	Brazil- 1952
Development Bank of Southern Africa	South Africa- 1983
Agence Française de Développement	France- 1941

Source: Various Sources

4.3.1.1. The First and the Second Wave of DFIs in India

DFIs were initially established to support long-term industrialization efforts in the developmental state era in India. The "absence of markets for long-term finance" is the primary reason for the establishment of development banks in developing countries, and the absence refers to "limited equity or bond markets" and "weak and fragile" banks (Chandrasekhar, 2020, p. 109). The main difference between development banks and commercial, investment and(or) universal banks is their role in investments. By leveraging lending, development banks affect investment decisions and supervise "the scale of investment, the choice of technology and the markets to be targeted by industry" (ibid.). Development banks frequently are public-owned or joint ventures. Their emergence traces back to late-industrialization in Germany and France (Gerschenkron, 1962). In terms of their political-economic orientation, development banks lay somewhere between private banks and "policy banks" of non-profit financial institutions in China.

The first DFI in India was the Industrial Finance Corporation of India (IFCI) which was founded in 1948. The IFCI channelled term financing for traditional industries,

[150] We need further case-based studies.

including cooperatives, according to five-year plans. It became a NBFC in 1999, over the years, its role has expanded to include a range of financial services, including project financing, corporate advisory services, and venture capital. The Industrial Credit and Investment Cooperation of India (ICICI) was established by the private sector under the supervision of the World Bank in 1955. The ICICI mostly channelled WB loans to industries in the private sector. The Industrial Development Bank of India (IDBI) and the Unit Trust of India (UTI) were established as subsidiaries of the RBI in 1964. The IDBI became a very effective DFI in the operations of lending and supervising the industrial sector (Chandrasekhar, 2016). All those three DFIs, the IFCI, the ICICI and the IDBI resonated with the developmental strategy of the post-independence era of industrialization and played a noteworthy role in facilitating industrialization in the developmental state era.[151] The funds they received originated from alternative sources such as "the government's budget, the surpluses of the Reserve Bank of India and bonds subscribed by other financial institutions" (Chandrasekhar, 2021, p.11). The importance of the role these institutions play in development finance can perhaps best be illustrated by the fact that banks were encouraged to hold DFI bonds to meet their statutory liquidity ratio (SLR) requirements (ibid.) in the era.

Table 4. 3. DFIs in India (Union Level)[152]

Name of the Institution	Year (est.)	Ownership	Key Activities
		Term-lending Institutions	
The Industrial Finance Corporation of India (IFCI)	1948	The Government of India	Term financing for traditional industries (including cooperatives) **The IFCI ([Limited] since 1999) is now a Non-Banking Finance Company (NBFC) in the public sector.**
The Industrial Credit and Investment Cooperation of India (ICICI)	1955	Private (sponsored by the World Bank)	Channelling loans to private sector industries **The ICICI became a universal multinational bank in 2002.**

[151] For their contribution to the Gross Capital Formation of India, check (Chandrasekhar, 2014).

[152] In addition to the national level, state-level State Financial Corporations (SFCs) were established in 1952 to direct state-provincial level small and medium-sized industries with credit.

Table 4.3. (continued)

The Industrial Development Bank of India (IDBI) and the Unit Trust of India (UTI)	1964	The RBI	Corporate and infrastructure financing, coordinating financing institutions and promoting industry **The IDBI converted to a universal public bank in 2004.** **The UTI was registered as a mutual fund in 2003.**
Refinancing Institutions			
National Bank for Agriculture & Rural Development (NABARD)	1981		Refinancing the financial institutions in rural sectors, regulating cooperative banks and Regional Rural Banks (RRBs)
National Housing Bank (NHB)	1987	The RBI	Refinancing housing sector
Small Industries Development Bank of India (SIDBI)	1990	The IDBI	Refinancing Micro, Small and Medium Sized Enterprises (MSMEs)
Sector Specific Banks or Public-owned Investment Institutions (mainly NBFCs)			
Export-Import Bank of India (EXIM)	1981	The Government of India	Financing trade sectors
Infrastructure Leasing & Financial Services Ltd (IL&FS)	1987	Public financial institutions	NBFC Infrastructure development and financing
Infrastructure Development Finance Company Limited (IDFC)	1997	Government of India	NBFC Financing infrastructure projects **It became IDCF Bank in 2015.**
India Infrastructure Finance Company Ltd (IIFCL)	2006	Government of India	NBFC Financing infrastructure projects

Source: Various Sources mainly (the RBI; Chandrasekhar, 2011; Chandrasekhar, 2020).

The decline of developmentalism in the 1980s and following neoliberal reforms in the 1990s have pushed a different approach to development finance. Export-Import Bank of India (EXIM), National Bank for Agriculture & Rural Development (NABARD), National Housing Bank (NHB) and Small Industries Development Bank of India (SIDBI) were established in the 1980s and in the 1990s. The second wave of DFIs, with their specialised and targeted frameworks, emerged in a corollary with neoliberal developmentalism. The union-level industry-focused DFIs have lost their place, whereas governments started to use the NABARD, the NHB, the EXIM and the SIDBI to direct credit to special interest groups (Chandrasekhar, 2014, p.218). Even DFIs lost their place as an object of scholarly inquiries due to the perception that they appeared to be part of "a Gerschenkronian past of economic backwardness" (Mertens & Thiemann, 2018, p.188) in the neoliberal era. The shift also related to macroeconomic flip-flops in the Indian manufacturing sector that coincided with the rise of services sectors (Mohan, 2021).

As a part of the neoliberal transformation process, the Narasimham Committee Report (I)[153] in 1991 marked a turning point, as it downgraded the role of DFIs by underlining the enhancement of private markets for financing development. The 1998 report, the Narasimham Committee Report II[154], suggested that because DFIs had accomplished enough in their initial mission, it was a necessity to converge their activities with banks. As a result, some DFIs turned to universal banks, and others became NBFCs. In the sphere of infrastructure, specialized DFIs were also established. The establishment of the Infrastructure Development Finance Company Limited (IDFC) came about following the release of the India Infrastructure Report by the Expert Group on Infrastructure Finance in 1997 (ibid.). The IDFC is very interesting in terms that it is categorized as a privately owned institution despite being endorsed by the government. The equity structure of the IDFC was around 40 per cent for the Government of India and the RBI and the rest of the equity capital was contributed by some public sector banks, the International Finance Corporation, the Asian Development Bank, the GIC of Singapore, the government of Switzerland and some others. As a result of the Government of India and Reserve Bank of India's equity share being less than 50 per cent, it was classified as a private sector entity and operated in that manner in time (ibid.). The IDFC became a bank after a certain period; thus, the DFI gap in infrastructure was filled with the establishment of the India Infrastructure Finance Company Ltd. (IIFCL) in 2006 (Table 4.3). The IFCI &

[153] DFI part is in between pp. 100-112. Government of India, (1991) *Report of the Committee on Banking Sector Reforms* https://ibbi.gov.in/uploads/resources/Narasimham%20Committee%20I-min.pdf

[154] Government of India, (1998) *Report of the Committee on Banking Sector Reforms*, April, New Delhi (Chairman M.Narasimham).https://dspace.gipe.ac.in/xmlui/bitstream/handle/10973/49121/GIPE-256165.pdf?sequence=2&isAllowed=y

the IIFCL, and the PPPs have become like two peas in a pod in the 2000s. Mega projects like Adani Mundra Ports, GMR Goa International Airport, Salasar Highways, NRSS Transmission, and Raichur Power Corporation have been set up with financial assistance from the IFCI.[155] During the UPA governments (2004-2014) periods, public sector banks began funding many of these PPP projects, leading to asset-liability mismatches. Additionally, the economic slowdown after the GFC caused many of these projects to fail, resulting in a substantial increase in NPAs in the infrastructure sector (Mohan, 2021). The reason of failure of financing infrastructure in early 2000s is seen as the absence of DFI bonds qualified as SLR securities for banks i.e. withdrawal of government support (Kamath, 2021). For instance, the Appraisal Document of the Twelfth 5-year Plan (2012- 2017)[156] identifies one of the main factors leading to a lack of private investment in various sectors is the challenges in securing financing for infrastructure projects, which can be attributed to the following reasons:

i. the increase in NPAs of banks,

ii. the shrinkage of equity and debt flows in PPP projects due to stranded and stressed projects,

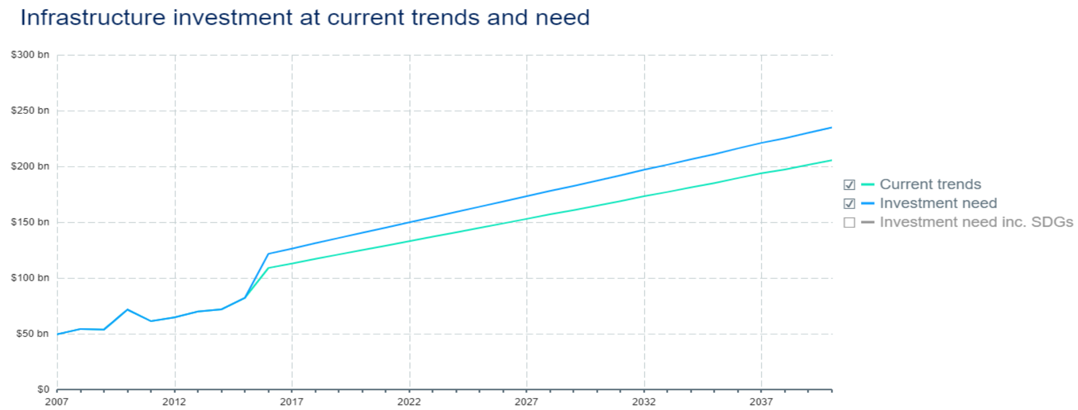
iii. the lack of long-term finance

In line with changes in the growth trajectory in the 2010s, with a focus on "infrastructural growth" exemplified by the Gujarat model ("the infrastructure that made the Gujarat Model possible" (Sud, 2020, p.103)) and mega projects, infrastructure investment has increased in India (Figure 4.5 and Figure 4.6). Considering both the challenges in securing financing for infrastructure projects and the growing infrastructure needs, The National Bank for Financing Infrastructure and Development (NaBFID) Bill was introduced in Lok Sabha on March 22, 2021. This bill aims to establish the NaBFID as a main DFI to address the financing gaps and facilitate the development of long-term infrastructure projects in the country.

---

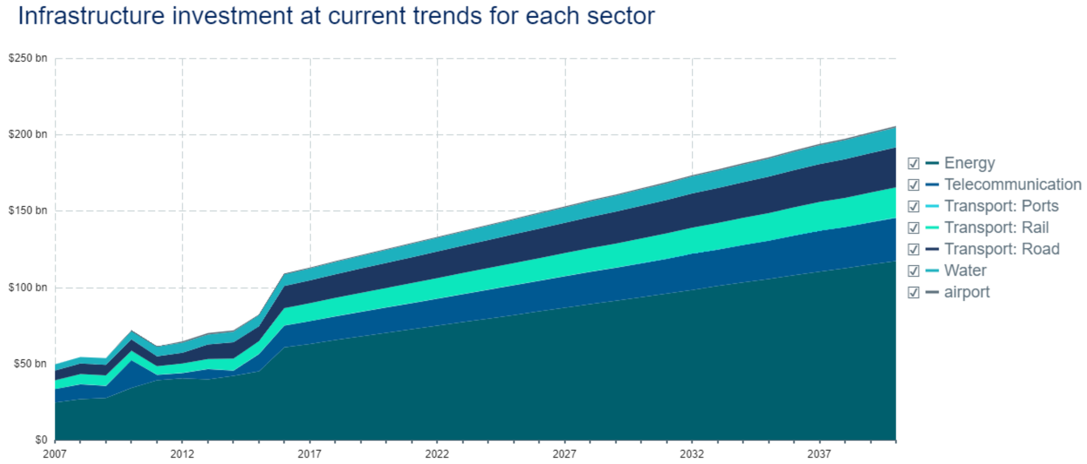
[155] IFCI https://www.ifciltd.com/?q=en/content/what-we-are .

[156] The Appraisal Document of the Twelfth 5-year Plan https://www.thehinducentre.com/multimedia/archive/03189/Appraisal_Document_3189085a.pdf .



Source: Global Infrastructure Outlook (G 20)[157]

Figure 4. 5. Infrastructure investment at current trends and need



Source: Global Infrastructure Outlook (G 20)

Figure 4. 6. Infrastructure investment at current trends for each sector

4.3.1.2. The Third Wave of DFIs: The NaBFID

The recent DFI upsurge is related to global economic conditions and capital market failures after the GFC. The shift, especially within global economic networks, can be framed under "the return of the state",[158] but this return is different from forms of intervention in the economy of states, sometimes pejoratively stated as "state

[157] Country profile https://cdn.gihub.org/outlook/live/countrypages/GIH_Outlook+Flyer_India.pdf.

[158] Under the rubric of development finance, the relationship between stakeholder capitalism and blended finance is also related with the shift in developmental agenda. For the debate on stakeholder capitalism: Schwab, K. & Vanham, P. (2021). *Stakeholder capitalism: A global economy that works for progress, people and planet.* Wiley.

capitalisms" in the 20th century. For instance, Mariana Mazzucato's book *The Entrepreneurial State Debunking Public vs. Private Sector Myths* (2013) has gained significant popularity and recognition in academic, policy-making, and business circles with the argument seeing the state is not just a market fixer but an essential driver of innovation and economic growth although the book is harshly criticised by Hayekian think tanks and neoliberal orthodoxy.[159] The details of Mazzucato's arguments on how state intervention boosts innovation go beyond the debate here; however, her case analyses under Green Economic Development, the China Development Bank (CDB), and the Brazilian Development Bank (BNDES) are significant in terms of showing the background of the new DFI surge. Although the infrastructure-oriented DFI, the NaBFID, has started opening kick-off in the Indian case, DFIs are also recommended for new industrial policies under the rubric of green energy transition and achieving Sustainable Development Goals (SDGs) in the world (Ferraz, 2023). In other words, their rejuvenation is not unique to India; around 100 development banks were founded during the period from 2008 to 2019 (Chandrasekhar, 2022, p.12).

The political-economic context of DFI revival is crucial in that it coincides with the process of financialization of development under intermingled phenomena of "finance as development", "financialization for financing development policies", and "financialization by development policies", Figure 4.4 (Chiapello et al., 2023). In Europe, DFIs have also revived as "quasi-fiscal state actors in shaping capital markets equipped with public guarantees" and have become "instrumental for the promotion of securitization markets and public-private partnerships" (Mertens & Thiemann, 2018, p.189). Daniel Martens and Matthias Thiemann underline that the new roles of DFIs are related to crucial features of contemporary capitalism as "(1) the rise of market-based finance and financial market volatility and (2) the rise of the 'consolidation state' through institutionalized austerity", thus the state has become the enabler of *"market-based finance through development banks"* (emphasis original) (2018, p. 186). If we examine the purpose, structure, and framework of the

[159] Mingardi, A. (2015). A critique of Mazzucato's Entrepreneurial State. *Cato Journal*, *35*(3). 603-625.

NaBFID, we will see that it has emerged as a finance-driven DFI. Below, a detailed analysis of India's new DFI, the NaBFID, is presented.

The establishment of NaBFID is motivated by the National Infrastructure Pipeline (NIP), which has allocated an investment of ₹146 lakh crore across 8,900 diverse infrastructure projects by the Government of India.[160] It is officially emphasized that a comprehensive strategy is needed to establish increased risk tolerance, manage asset and liability solutions, and develop a well-functioning bond market for NIP projects.[161] Additionally, efficiently tapping into the US$ 230 billion credit pool currently allocated for infrastructure investments can be achieved through attractive further financial tools.[162] Furthermore, enhancing expertise in assessing and overseeing infrastructure financing, ensuring strong financial stability, and implementing prudent credit, which supports the improvement of the private lending environment in India and expanding opportunities beyond the energy and telecommunications sectors, are highlighted.[163] The NaBFID proposes "developing a deep and liquid market for bonds, loans, and derivatives for infrastructure financing".[164] Lastly, it is proposed that the establishment of the NaBFID will prevent crowding out private and foreign investment.

The DFI, as an All India Financial Institution (AIFI) under the supervision of the RBI, has returned to India under these promises of financialization of financing development policies after a few decades. According to its legislation, the instruments and services provided to fund project financing requirements will be subject to the NaBFID Lending Rate (NLR) as applicable. These will include a range of types, expanding with time and market demand, such as term loans (Greenfield, brownfield, etc.), bonds or debentures, guarantees (bid bonds, mobilization/advance payment guarantees, performance guarantees), and letters of comfort (Capex LC).

[160] NaBFID Purpose https://nabfid.org/purpose

[161] Ibid.

[162] Ibid.

[163] Ibid.

[164] Ibid.

Additionally, NaBFID will offer equity investment opportunities through investment trusts, bond subscription services, specific structured products for project development, and ESG-focused lending. The development of various bonds and derivative markets, including domestic capital bonds, foreign currency bonds, and green bonds, is also envisaged, with a focus on investor protection and the implementation of robust adjudication systems. Currently, the entire shareholding of the institution is held by the Government of India.

The NAFBID signed a Memorandum of Understanding (MoU) with the International Finance Corporation (IFC) to develop a robust pipeline of investment-ready PPP projects in infrastructure on June 2, 2023[165]. Under the MoU, NaBFID and IFC will collaborate to jointly identify and develop PPP projects. In addition, "comprehensive transaction advisory services" will be accessible for those initiatives. The preliminary initiatives are anticipated to attract approximately $2 billion in private capital investment in the coming years for renewable energy, energy storage, urban infrastructure, and other sectors. A symbolic development also occurred, summarizing all that we have discussed about the NaBFID. In June 2024, the new finance-diverted DFI of India, the NaBFID, received the Infosys Finacle Innovation Award 2024 for its performance in Transformation Excellence - specifically, in Core Banking Implementation.[166]

DFIs rely on the centre of the state-finance nexus: the state's role and means of intervention in finance and finance's role in restructuring states. As Emma Mawdsley formulated, "we are currently witnessing a distinctive acceleration and deepening of the financialization-development nexus" (2018, p. 265). The analysis of the changing nature of development finance in the 2010s in India shows that state vs market duality or public vs private duality loses operational explanatory power in the process of financialization. In other words, financialization is a process which is driven by the state. At the same time, public institutions have been becoming much more finance-oriented in the process.

[165] IFC and NaBFID Partner to Ramp Up Public-Private Partnership in India, Strengthen Infrastructure https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=27577

[166] NaBFID Conferred with Infosys Finacle Innovation Awards, 2024 https://nabfid.org/uploads/files/Press-Release.pdf .

Under the research theme of financialization, International and(or) Critical Political economy studies mainly focus on household financialization (household indebtedness, microcredits, land grabbing etc.) (Karacimen, 2014; Choi, 2018; Karwowski, 2018) and foreign capital flows (“dependent financialization” and (or) “subordinate financialization”) (Becker et al., 2010; Kaltenbrunner & Painceira, 2018; Bonizzi et al., 2019; Alami et al., 2022; Kvangraven et al., 2021; Soener, 2023) in the Global South. The Indian case also demonstrates that financialization does not always have to be “subordinate” in the Global South. Prioritizing domestic politics in the analysis, rather than focusing solely on international financial exposure, can enhance our understanding of the mechanisms driving financialization processes. This is particularly evident in the changing nature of development finance in India.

The recent rejuvenation of DFIs in India illustrates the dual nature of financialization in the realm of the state: financialization by the state and financialization of the state. Fathima Mushtaq’s significant study, which focuses on central bank activities in forex markets, argues that “IFI’s attempt to engineer ‘resilient market-based finance’ in the Global South is more likely to impose larger costs on developing economies instead of generating development finance” (2021, p. 568). Further studies are needed to assess market-based financial solutions for development policies, particularly in infrastructural growth, specifically concerning NaBFID’s operations in India.

4.3.2. PPPs in India

The origin of PPPs can be traced back to the late 20th century, neoliberalism during the 1980s and 1990s played a pivotal role in advocating them. It is significant to underline that the fiscal conservativism of neoliberalism that limits public expenditures created a tendency for the rise of “off-balance-sheet policies” (Endrejat, 2024). Consequently, PPPs emerged as an instrument for governments to preserve neoliberal fiscal discipline and gained momentum as they provided a method to utilize private funding for public schemes, aiding the development and promoting infrastructure such as highways, airports, medical facilities, and educational institutions. The United Kingdom’s Private Finance Initiative (PFI), initiated in

1992[167], is frequently referenced as a groundbreaking paradigm showcasing PPPs' capacity to mobilize private investment. PPPs have been on the agenda of neoliberal developmentalism since the 1990s, and they are not new (Romero, 2016, p.62). still, the significant question is, what is the essence of contemporary PPPs? Ben Fine's periodisation of neoliberalism helps to elaborate contemporary PPPs: Table 4.4 The periodization of neoliberalism highlights a shift from aggressive privatization and minimal state intervention to more finance-oriented provisions on PPPs that overlap with the financialization of development policies. A similar shift towards financialization is also observed in the implementation of PPPs in India.

Table 4. 4. The periodisation of neoliberal PPPs mantra

First Phase-Washington Consensus	Privatization was the primary objective, relegating PPPs to a marginal role. There is a strong emphasis on reducing state intervention and promoting free-market principles.
Second Phase-Post-Washington Consensus	Addressing market and institutional imperfections with selective privatization, particularly in sectors like telecoms and energy, rather than transport and water. This phase aimed to correct the extreme dysfunctions and social protests caused by the first phase while continuing financialization. There was increased state intervention to integrate private sector roles, with entities like the World Bank and IMF influencing social policy and promoting user charges.
Third Phase (Post-Global Financial Crisis)	Collaboration between large-scale capital, finance, and the state to tackle economic stagnation, with PPPs playing a prominent role. The state used its resources to support private financing for public services, especially in sectors previously considered difficult to privatize. This phase emphasized the development of economic and social infrastructure through new mega-projects and restructured social provisioning in health and education. The essence is leveraging both public and private resources to address infrastructural and social needs while promoting financial activities.

Source: (Fine, 2020, pp. 28-29)

Nowadays, the usage of the term social overhead capital (SOC) by Albert Hirschman is very rare. In the developmental state period, infrastructure was taken as a part of basic services beyond production[168] and was unquestionably a matter of development

[167] Private Finance Initiative – its rationale and accounting treatment, 2008, June. https://www.parliament.uk/globalassets/documents/upload/0807PFI.pdf

[168] For a study of the SOC in between 1950-1960: Healey, J. M. (1965*). The development of social overhead capital in India 1950-1960*. Oxford Basil Blackwell.

(Anwar, 2015). Although PPPs are implemented under diverse legal frameworks, regulatory systems, and operational demands that vary worldwide, the public sector is mainly the initiator, guarantor and regulator of contracts and agreements of PPPs (Martinez-Lacambra, 2013). Peter O'Brien and Andy Pike (2017) analyse the intersection of financialization and infrastructure governance, highlighting the evolving dynamics between financial processes and infrastructure development by underlining the private capital's involvement for the sake of long-term investment, providing stable returns as new assets. In other words, institutional investors view infrastructure as a separate asset class, seeking stable, inflation-protected returns across different regions.

The de-risking mantra is crucial in understanding contemporary financial practices and policies, especially in the context of development finance and infrastructure investments. Derisking refers to the strategies and mechanisms used to reduce or transfer risks associated with investments, particularly those in developing countries or in sectors considered high-risk. The concept is particularly relevant in the realm of development finance, where attracting private investment into infrastructure projects is a key objective. PPPs' minimum revenue guarantees and(or) subsidized loans are the main derisking mechanisms (Gabor, 2021). Daniela Gabor's contribution is significant in that derisking often results in the socialization of risks (borne by the public sector) and the privatization of profits (enjoyed by private investors) (ibid.). In this context, any private actor in the market can face unexpected outcomes as a result of investment decisions as "some risk is inherent in all investments", but PPPs' guarantees "will not reduce, let alone eliminate risk" (Jomo & Chowdhury, 2019, p.150).

> India has achieved significant milestones in infrastructure development, including the inauguration of the world's longest highway tunnel, the **Atal Tunnel**, and the construction of the world's highest railway bridge, the **Chenab Bridge**. Additionally, India has set records by unveiling iconic landmarks like the **Statue of Unity** – the world's tallest statue and embarked on transformative projects like the **Zojila Tunnel**, Asia's longest tunnel, for all-weather connectivity in Ladakh.[169]

Initially, the Rakesh Mohan Committee on Infrastructure highlighted the challenge in India of establishing a suitable framework for private involvement in infrastructure

[169] Ministry of Information & Broadcasting (2024) Building India - 10 Years of Infrastructure Development https://pib.gov.in/PressNoteDetails.aspx?NoteId=151870&ModuleId=3

projects, leading to the concept of PPPs, distinguishing them from privatization by retaining responsibility for public services and asset ownership in 1996 (Sinha, 2019, p. 78). The concept of PPP was branded under neoliberal developmentalism, and the UPA governments facilitated policies and regulatory frameworks to attract private infrastructure projects; however, the primary challenge revolved around the issue of financing as investors expressed hesitance towards large-scale projects with extended gestation periods in the early 2000s (ibid.). The primary funding sources for such projects included commercial banks, nationalized banks, and nonbanking institutions due to the absence of a bond market, foreign debt instruments, and insurance markets, as highlighted (Roy, 2015, cited from Sinha, 2019). The NDA governments' PPP policies (Table 4.5) are different in terms of leveraging both public and private financial resources to address infrastructural and social needs while promoting financial activities from the previous UPA initiatives.

The "infrastructural boom" in India has been one of the main policy pillars of the government since 2014; Figure 4.7 and Figure 4.8 show outstanding numbers of infrastructure projects and the amount of cost of investments in recent years. The above-quoted superlative-loaded official government declarations or Mumbai-based stand-up comedian Azeem Banatwalla's "infrastructural jokes"[170] or Norton Rose Fulbright's- a global law firm providing full business law service to corporations and financial institutions- publications[171]indicate the same phenomenon: the rise of grand mega infrastructure projects in the country. Figure 4.9 shows gaps in infrastructure requests from ports, railways, and roads from the state governments. It also indicates that expectations for the continuation of these infrastructure investments will persist.

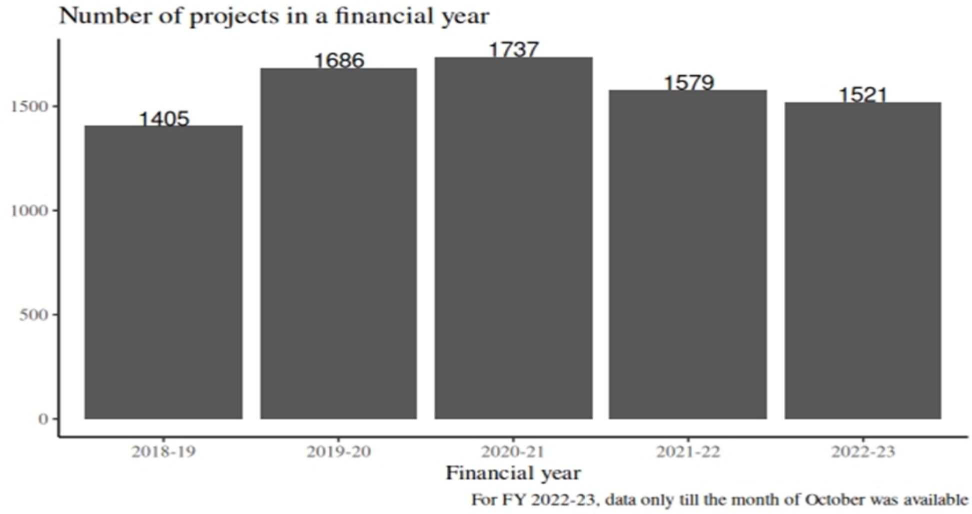
The government has featured PPP to finance infrastructural projects; thus, India has a significant and growing number of PPP projects across various sectors, making it one of the largest PPP markets globally. Recent data shows there are over 1,800 PPP projects in India. Specifically, the India Brand Equity Foundation (IBEF) reports that

---

[170] Azeem Banatwalla https://www.youtube.com/watch?v=L_81ZtoOsSY&ab_channel=AzeemBanatwalla.

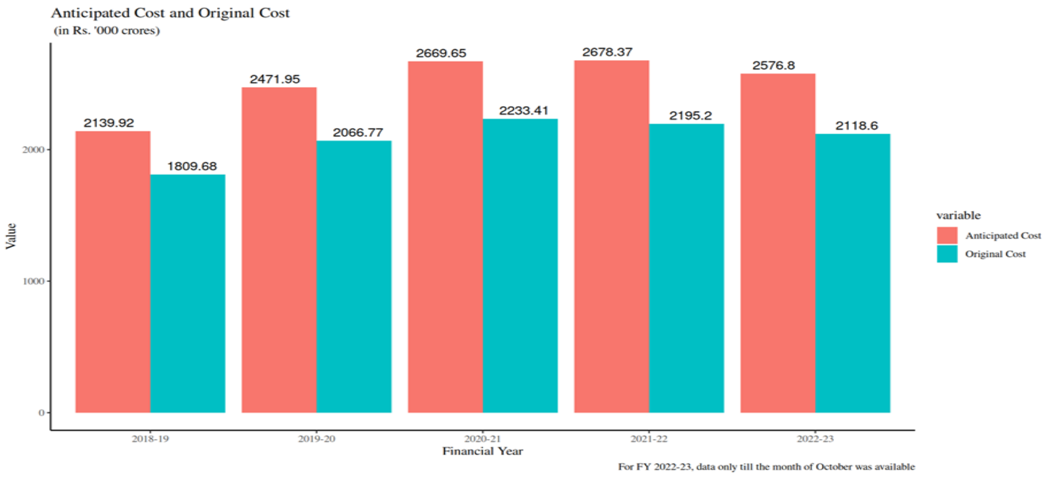
[171] Norton Rose Fulbright https://www.nortonrosefulbright.com/en-gb/knowledge/publications/ada6d415/when-it-comes-to-infrastructure-building-is-india-the-next-land-of-opportunity.

there are 1,825 PPP projects, with 567 of them in the road sector alone.[172] This highlights the extensive use of the PPP model across various infrastructure sectors in the country (Figure 4.6) spanning sectors such as transport (highways, ports, airports, and railways), energy, water and sanitation, and social infrastructure (Figure 4.7).



Source: The author (from the data of Rajya Sabha Session - 258 Unstarred Question No. 636 Answered on 12 December 2022. Data of 2022-23 (up to October 2022))

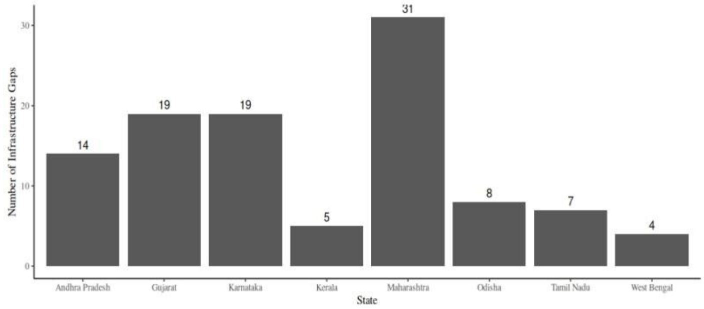
Figure 4. 7. Year-wise Details of the Investment in Infrastructure Projects from 2018-19 to 2022-23



Source: The author from the data of Rajya Sabha Session - 258 Unstarred Question No. 636 Answered on 12 December 2022. Data of 2022-23 (up to October 2022)

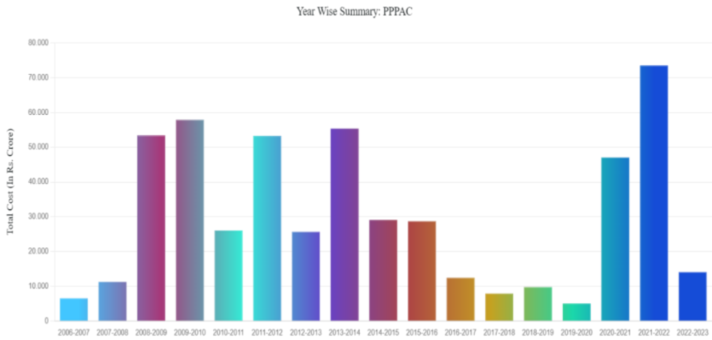
Figure 4. 8. Year-wise Details of the Investment in Infrastructure Projects from 2018-19 to 2022-23

[172] Road and Infrastructure Industry Analysis https://www.ibef.org/industry/roads-presentation .



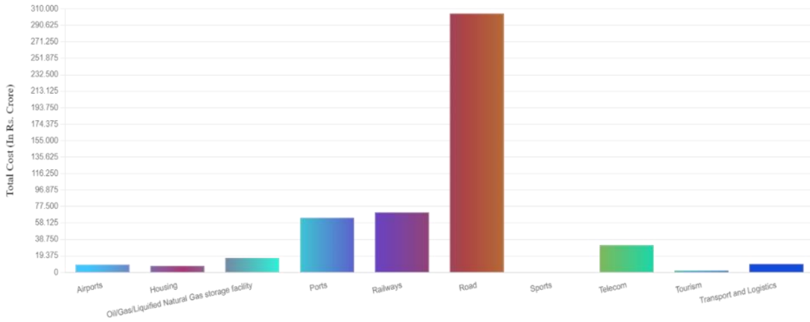
Source: The author (from the data Rajya Sabha Session-259 Unstarred Question no 629 answered on , 7th February 2023)

Figure 4. 9. Port, Rail and Road Infrastructure Gaps



Source: Government of India, Ministry of Finance[173]

Figure 4. 10. Projects Recommended By The Public-Private Partnership Appraisal Committee (PPPAC)



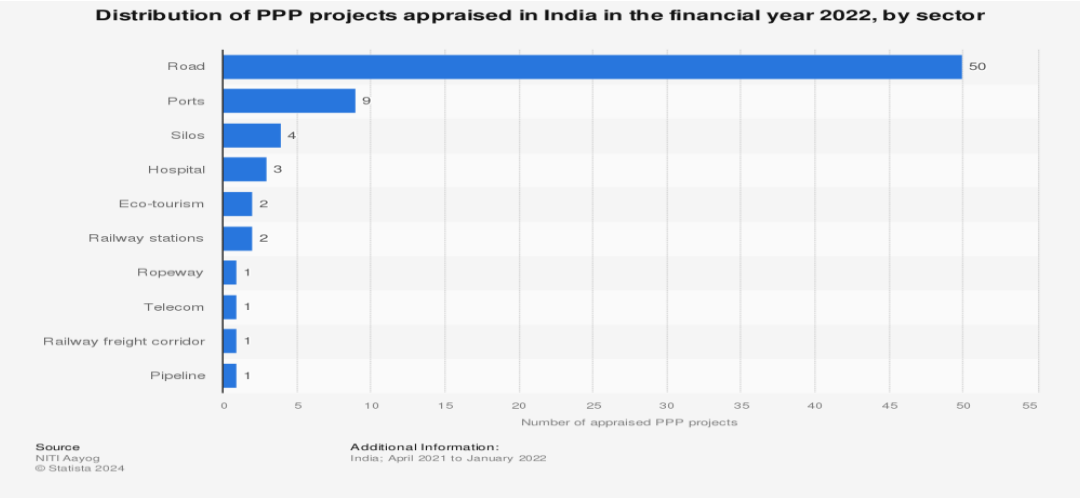
Source: Government of India, Ministry of Finance[174]

Figure 4. 11. Sector-wise summary of PPPAC

---

173 https://www.pppinindia.gov.in/pppac_projects_summary .

174 https://www.pppinindia.gov.in/pppac_projects_summary.



Source: NITI Aayog. (February 14, 2022). Distribution of PPP projects appraised in India in the financial year 2022 by sector [Graph]. In *Statista*.[175]

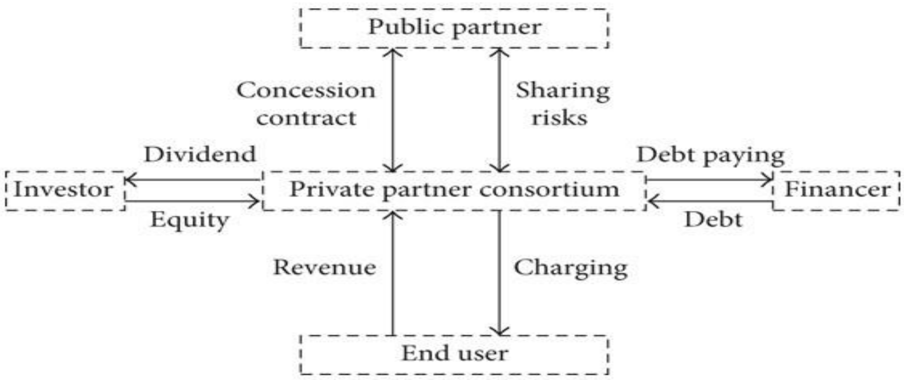
Figure 4. 12. Distribution of PPPs in India in 2022

PPP projects typically involve a consortium of private players, including construction firms, service providers, and financial institutions. These consortiums work in partnership with various public sector agencies. The structure of these partnerships often includes roles such as investors providing equity, financiers offering debt, and public partners sharing risks and providing regulatory support Private investors contribute equity, while banks and financial institutions provide debt financing. This financing blend distributes risks and leverages private capital for public projects. Several major banks, such as the State Bank of India (SBI) and ICICI Bank, as well as international financial institutions, such as the World Bank and Asian Development Bank (ADB), play crucial roles in funding PPP projects. The Model Concession Agreement (MCA) provides a standardized approach which is shown in Figure 4.13, but tailoring or modifying the model-specific projects and sectors is possible.

Recent trends in India's infrastructure policies reflect a significant shift towards leveraging PPPs and asset monetization to upgrade infrastructure. One of the key initiatives in this direction is the National Monetization Pipeline (NMP), announced under the Union Budget 2021-22. According to the Finance Ministry report of 2021,

[175] Retrieved June 25, 2024, from https://www.statista.com/statistics/1313671/india-ppp-projects-appraised-by-sector/

this initiative aims to generate Rs 6 lakh crore by monetizing existing public infrastructure assets over four years (FY 2022-2025), working in tandem with the NIP, which aims to mobilize Rs 111 lakh crore for infrastructure projects by 2025.[176] The NMP covers 20 asset classes distributed across 12 line ministries and departments, focusing primarily on roads, railways, and power sectors, each valued at around Rs 1.5 trillion. This initiative also includes other sectors such as ports, airports, telecom, and gas pipelines, with the top five sectors accounting for approximately 83% of the total pipeline value. To attract foreign investment, the Union Budget 2021-22 announced a 100% tax exemption for foreign Sovereign Wealth Funds and Pension Funds on income from infrastructure investments in India.[177]



Source: Liang & Jia (2018, p.2)

Figure 4. 13. "Schematic correlation of a Public-Private Partnership project"

Table 4. 5. Initiatives to encourage PPP arrangements

Formation of Public Private Partnership Appraisal Committee (PPPAC), the apex body for appraisal of PPP projects in the Central Sector has streamlined appraisal mechanism to ensure speedy appraisal of projects, eliminate delays, adopt international best practices and have uniformity in appraisal mechanism and guidelines.
To provide financial assistance to financially unviable but socially/ economically desirable PPP projects, DEA launched the Viability Gap Funding (VGF) scheme in 2006. Under this scheme, economic sector projects may get up to 40 per cent of Capex as a VGF grant. The scheme includes higher provisions of the VGF grant for social sectors. Social sectors may get up to 80 per cent of the Capex and up to 50 per cent of the Operating Expenditure (Opex) for five years after Commercial Operation Date (CoD) as VGF grant.

[176] Finance Minister launches the National Monetisation Pipeline https://pib.gov.in/PressReleseDetailm.aspx?PRID=1748297.

[177] Ibid.

Table 4.5. (continued)

Build-Operate-Transfer (BOT), Design-Build-FinanceOperate-Transfer (DBFOT), Rehabilitate-Operate-Transfer (ROT), Hybrid Annuity Model (HAM), and Toll-Operate-Transfer (TOT) model. Under the BOT model, there are two variants – BOT (Toll) and BOT (Annuity) depending on who bears the traffic risk. In the case of BOT (Toll), the traffic risk is borne by the PPP concessionaire, while in the case of BOT (Annuity), it is borne by the public authority.
Various infrastructure financing options of InvITs and REITs, the creation of the Dedicated Financing Institution National Bank for Infrastructure Development (NaBFID), recapitalisation of other sectoral DFIs, and push to the PPP ecosystem through Model Concession Agreements by line ministries have also been introduced.
In 2022, introduced a Scheme for Financial Support for Project Development Expenses of PPP Projects – 'IIPDF Scheme' (India Infrastructure Project Development Fund Scheme) for providing necessary support to the PSAs, both in the Central and State Governments, byextending financial assistance in meeting the cost of transaction advisors and consultants engaged in the development of PPP projects.

Source: (Dwivedi & Gomes, 2023) [178]

Additionally, the establishment of DFIs with a capital base of Rs 20,000 crore aims to facilitate long-term financing for infrastructure projects, targeting a portfolio of Rs 5 lakh crore within three years. As part of these efforts, the government also passed a bill in March 2021 to establish the National Bank for Financing Infrastructure and Development (NaBFID) to provide financial support for infrastructure development. The NIP includes 7,400 projects, with 217 projects worth Rs 1.10 lakh crore (US$ 15.09 billion) completed as of 2020. The NMP is expected to generate revenue, with Rs 88,000 crore anticipated from asset monetization in FY22 alone.[179]

The state actively mitigates financial risks for private investors. The government's willingness to offer guarantees at a concessional rate of up to 0.1% for borrowing from multilateral institutions and foreign funds, alongside potential reimbursement of costs associated with foreign exchange fluctuations, underscores its role in insulating private investors from financial risks. The provision for government guarantees on bonds, debentures, and loans issued by NaBFID upon request further reduces the financial exposure for private investors, encouraging their participation in large-scale

[178] Dwivedi, G. & Gomes, K. (2023). *National Infrastructure Pipeline: An analysis of PPP projects*. Centre for Financial Accountability.
Ministry of Finance, Scheme for Financial Support for Project Development Expenses of PPP Projects – 'IIPDF Scheme' (India Infrastructure Project Development Fund Scheme) Notified on 03.11.2022 https://pib.gov.in/PressReleasePage.aspx?PRID=1873659.

[179] Ibid.

infrastructure projects. This risk mitigation framework is designed to attract both domestic and foreign investment by providing “a stable and secure environment” for financial commitments. Not only does the government create mechanisms for financial sources such as India Infrastructure Finance Company Limited (IIFCL) (Table 4.6), Infrastructure Debt Funds (IDFs- mainly operate as NBFC), Real Estate Investment Trust (REIT), and Infrastructure Investment Trusts (InvITs), but the RBI also regulates financial markets for easing infrastructural finance for the private sector by using tools such as Stressed Assets Management, 5/25 Scheme, Take-out Financing, Pension/Provident Funds, Bonds Issued by Banks, Financial Markets and Corporate Bonds, Credit Enhancement and Municipal Bond (Agrawal, 2020; Dwivedi & Raghuvanshi, 2022).

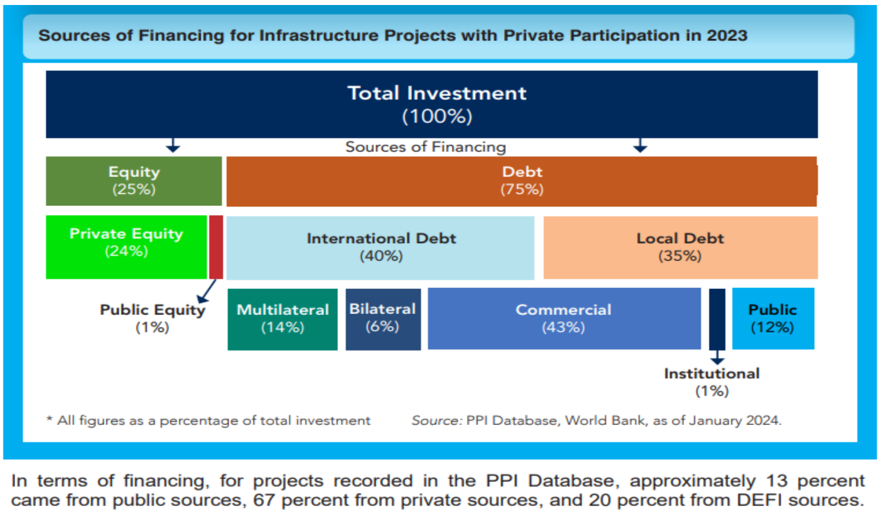
Table 4. 6. India Infrastructure Finance Company Limited (IIFCL) Schemes

SIFTI- Scheme for Financing Viable Infrastructure Projects
Modified Takeout Finance Scheme
Infrastructure Investment Trusts (InvITs)
Refinance Scheme
Credit Enhancement
Infrastructure Project Bonds

Source: IIFCL

A particular method of reducing risk (de-risking) involves the provision of donor or public grant funding, referred to as viability gap funding, to render projects financially feasible (Bayliss & Waeyenberge, 2023, p. 83). In India, on November 11, 2020, the Cabinet Committee on Economic Affairs (CCEA) approved a revamped Viability Gap Funding (VGF) scheme, with guidelines issued on December 7, 2020. The updated scheme provides enhanced VGF support of up to 60% of the total project cost (up to 30% each from the Central and State Governments) for social sectors such as water supply, wastewater treatment, solid waste management, health, and education. For pilot or demonstration projects in the health and education sectors, VGF support can reach up to 80% of the total project cost (up to 40% each from the Central and State Governments), including provisions for Operation and Maintenance (O&M) support during the first five years of operations, covering up to 50% of the O&M costs (up to 25% each from the Central and State Governments). For other sector projects, the VGF support is up to 40% of the total project cost (up to 20% each from the Central and State Governments).[180]

The infrastructure financing landscape has undergone significant change, marked by a transition from reliance on government budgets and DFIs to a more private sector-relying approach involving PPPs in India. Historically, infrastructure projects were funded primarily through government allocations or DFIs like IDBI and ICICI, which later transformed into commercial banks. As infrastructure needs grew, funding expanded to include institutions such as the National Investment and Infrastructure Fund (NIIF), Power Finance Corporation (PFC), Rural Electrification Corporation (REC), and publicly funded non-banking financial companies (NBFCs) like IL&FS. However, the paradigm shifted as the government began playing a dual role- not just as a financier but also as a facilitator and supporter of private investments. This shift includes assisting in land acquisition, navigating environmental and social clearances, assuming project risks, providing guarantees, exploring innovative financing methods, reforming pricing structures, and offering "viability gap funding" (ibid.).



Source: World Bank (2023)[181]

Figure 4. 14. Sources of Financing for Infrastructure Projects (Global) in 2023

---

[180] Ministry of Finance https://www.pppinindia.gov.in/vgfguidelines

[181] Private Participation in Infrastructure (PPI) 2023 Annual Report https://ppi.worldbank.org/content/dam/PPI/documents/PPI-2023-Annual-Report-Final.pdf

The academic literature on PPP continues to engage in significant debates regarding the success or failure of this model (Bear & Knight, 2017; Bear, 2017; Loxley, 2013; Hall, 2015), whereas India with China, Brazil, Philippines, and Peru preserves its status as receiver of the largest Private Participation in Infrastructure (PPI) investments in 2023. According to WB (2023), the total PPI investment of these five countries amounted to $66 billion, representing nearly 77 per cent of the total global investment. The sources of financing in terms of equity, debt, international or local, are shown in Figure 4.14 Even though “the current PPP revival represents a departure from previous privatization policy due to the central role played by global finance” (Bayliss & Waeyenberge, 2023, p.78), the domestic aspect of how these policies have been implemented is significant.

Encouraging the development of finance-centred infrastructure leads to changes in the responsibilities of both the state and investors and changes in relations between capital and state (Bayliss & Waeyenberge, 2018, p.583). PPPs are reshaping the understanding and policy framework of infrastructure provision and are playing a crucial role in shaping development policies in developing countries, as in the case of India relying on standardized benchmarks and tools (Bayliss & Waeyenberge, 2023, p.79). The recent PPP model is derisking private investments in India. Derisking mechanisms compromise revenue guarantees, free public land, exemptions from taxes and fees, and state-sponsored debt (Ayhan & Üstüner, 2023, p.116). As a part of the financialization of development, the ways and methods of intervention in the economy of states, especially the role of state-level (domestic) financial organizations, represent the dual process of financialization of the state and financialization by the state. Thus, analysing DFIs in India completes the debate which is discussed here.

4.4. Conclusion

In the post-independence period, institutions of the developmental state, the Planning Commission in resource allocation, DFIs such as the Industrial Development Bank of India (IDBI), the Industrial Finance Corporation of India (IFCI), and the National Bank for Agriculture and Rural Development (NABARD) in providing long-term financing for industrial and agricultural development played a pivotal role. However, the Planning Commission and DFIs lost their preeminent role in the economy in the neoliberal era under the dominance of the fiscal discipline discourse.

With the establishment of the NITI Aayog, the development agenda and policies have diverted towards financial markets and investors. The NITI Aayog promoted the financialization of the public sector under the asset monetization scheme and contributed to the acceleration of the PPPs as appraisal body. On the other hand, financial sector reforms in the 1990s led to the gradual disbanding or restructuring of many DFIs into commercial banks or other financial entities (NFCs) in India. However, the non-performing assets (NPAs) created the financial crisis in the country in the 2010s. In the wake of these challenges, although initial steps were taken in the 2000s, the 2010s have been the years of increasingly turning to PPPs as an alternative mechanism for financing and implementing huge infrastructure projects. Interestingly, in addition to PPPs, the NABFID emerged as a new DFI in 2021 in India. The main difference between the NaBFID and previous DFIs is its motivation for innovative financial instruments offering long-term loans. In other words, enhancing the capacity of stakeholders in project development and management has become one of the objectives of the NABFID. The shift from DFIs to PPPs and the establishment of the NaBFID underscore the financialization of infrastructure development in India. The state has adopted an approach in development finance promoting private sector participation and leveraging financial markets.

As a late-industrialized developmental state, the strategic selectivities of the Indian state in development have always been very crucial since 1947. Since 1991, the political economy of “the new” India has been analysed with “pro-market”, “pro-business”, or “neoliberal” reform frameworks. The discussion contributes to the literature by showing the peculiar nature of the mode of intervention of the Indian state in the 2010s as a finance-diverted state.

CHAPTER 5

CONCLUSION

The transformation of the Indian political economy in recent decades has brought about significant changes in the relationship between the state and finance, raising critical questions about the nature and direction of this evolution. This thesis explores the dynamics of financialization and its implications for Indian economic development, focusing on how these shifts have redefined the role of the state in both economic governance and development finance. Understanding these changes is crucial for scholars of political economy and development studies, as they offer insights into the broader processes of economic transformation in emerging markets. By examining the peculiar aspects of India's financialization and the transition from a developmental state to a neoliberal finance-diverted state, this research contributes to the ongoing discourse on the intersections of finance, state power, and economic development, highlighting the importance of these transformations in shaping India's contemporary economic landscape.

To understand the profound changes in India during the 2010s, this research employs a combined framework of financialization and critical state theory, alongside the methodological tool of process tracing. Financialization, as a lens, allows us to scrutinize the growing dominance of financial motives, institutions, and markets in India's economic development, revealing how these forces have reshaped the functions and priorities of the state. Critical state theory provides the conceptual foundation to analyse these changes, emphasizing the evolving nature of state power and governance in a particular form of the state in response to the changes in global capitalism and domestic political dynamics. By using process tracing, this study meticulously tracks the sequence of events, policy shifts, and institutional transformations that have characterized India's transition from a developmental state

-in the second chapter- to one increasingly oriented towards finance -in the third and fourth chapters-.

The financialization in India is characterized by a gradual but significant shift towards market-based finance, underpinned by policies of financial deregulation, globalization, and specific interventions such as capital account liberalization and demonetization in the third chapter. These policies have led to the transformation of financial institutions, with banks expanding into non-banking activities and Non-Banking Financial Companies (NBFCs) taking on more significant roles, sometimes resembling shadow banking. The state's intervention has evolved from directly managing economic development to navigating the complex dynamics of financial markets, where it now plays a critical role in preventing financial risks through mechanisms like bank recapitalization and asset reconstruction. The state's changing role and the financialization process are deeply interconnected, reflecting a new form of state-finance nexus in India that has significant implications for economic development.

Despite the extensive body of literature on economic development and state transformation, there remains a significant research gap in understanding the specific processes of financialization in India, particularly during the 2010s. Existing studies have often overlooked the nuanced ways financialization has influenced state functions and development policies, especially in the Indian context. By concentrating on a specific geographic and temporal context -India in the 2010s- this research provides a detailed exploration of the peculiar aspects of India's financialization, offering a fresh perspective on how these changes have reoriented the state's role in economic development. The study's findings in the fourth chapter contribute to the broader discourse on global financialization by highlighting India's distinctive path, making this a novel and unique contribution to the fields of political economy and development studies. Through this focused analysis, the research not only fills a critical gap in the literature but also enhances our understanding of the complex and dynamic relationship between finance and state in an emerging economy.

A significant shift towards market-based finance has marked the transformation of development finance in India over recent decades. Traditionally, development finance in India was heavily influenced by state-led initiatives and public sector institutions aimed at directing capital towards key sectors of the economy, such as industry, agriculture, infrastructure, and small-scale industries. However, in the 2010s, this model began to evolve as market-based mechanisms gained prominence, driven by financial liberalization and the increasing integration of India's economy with global financial markets. This shift reflects a broader trend towards the financialization of the Indian economy, where market-based instruments, private capital, and financial markets have increasingly become central to the allocation of resources and the funding of development projects. The transition to market-based finance has redefined the role of the state, moving it from a direct provider of development finance to a facilitator of private investment and market operations.

As India transitioned towards market-based finance, the state itself underwent significant restructuring. The state began to implement policies that encouraged the growth of financial markets, deregulated sectors to attract private investment and established institutions and frameworks to support this new market-oriented approach. This transformation not only redefined the state's involvement in economic activities but also altered its governance structures, with a greater emphasis on creating a conducive environment for market operations in economic development. The state's restructuring was essential in aligning itself with the imperatives of a financialized economy, reflecting a broader global trend where states adapt to the pressures and opportunities presented by global and domestic capital markets. This process has led to a more complex and intertwined relationship between the state and financial markets, where the state plays a critical role in so-called "managing" the risks associated with market-based finance in this new financial landscape.

The asset monetization initiative in India exemplifies how tangible assets have been transformed into intangible financial assets, reflecting the deepening of financialization by the state and the financialization of the state itself. By converting public infrastructure and other government-owned assets into financial instruments, the state has created new avenues for private investment, effectively turning these assets into tradable commodities within financial markets. This initiative is closely linked to the emergence of new forms of Public-Private Partnerships (PPPs), where the focus has shifted from traditional infrastructure development to complex financial arrangements that leverage private capital and expertise. The establishment of the National Bank for Financing Infrastructure and Development (NAFBID) is a key policy move in this direction, illustrating the state's role in orchestrating these financial processes. Through NAFBID, the state not only facilitates the monetization of assets but also engages in the financial markets as a participant, reflecting the financialization of the state itself. These policies highlight the intertwined nature of financialization in India, where the process of financializing development is both driven by and contributes to the broader financialization of the state's functions and priorities. This dual financialization underscores a significant transformation in how development is conceived and implemented, with new forms of finance and institutions taking centre stage in the state's strategy for economic growth.

To effectively frame the recent changes in the form of the Indian state, a historical analysis of its various forms becomes crucial. Understanding the evolution of the state forms through different phases provides a necessary backdrop for analysing contemporary shifts, particularly in the context of state and finance. By examining the state's financial strategies and structures through a continuity-change perspective, we can discern the underlying patterns and ruptures that have shaped its current form. This approach allows us to identify the elements of continuity that persist despite the apparent transformations, as well as the significant changes that mark a departure from previous state practices. Such an analysis is essential to grasp the complexities of how the state has adapted to new economic imperatives, especially in the context of financialization. It underscores the importance of considering both historical continuity and change to fully understand the current financialization-driven transformation of the Indian state, and how it reflects broader trends in the relationship between the state, finance, and economic development.

The post-independence economic development experience in India initially followed a classical modernization school-inspired paradigm. Aimed at catching up with the industrialized capitalist and socialist countries of that era, the country pursued a path of industrialization driven by state-led planning, under the hegemony of "developmentalism". During this period, the Indian state played a central role in directing economic activities, with a strong emphasis on state intervention in various sectors to facilitate capital accumulation and promote industrial growth. However, over time, the forms of state intervention in the economy have evolved significantly. My research focuses on this evolution, tracing how the state's role in the process of capital accumulation has transformed across different phases of economic development. From the early days of direct intervention and state control to more recent trends characterized by liberalization and financialization, I have analysed the changing forms of state intervention and demonstrated how these shifts reflect broader changes in the form of the state.

This study has traced the profound transformation of the Indian state, focusing particularly on the shift from a developmentalist structure to one that is increasingly finance-oriented. By examining the changes in economic policies, institutional frameworks, and the role of finance in the state's strategic selectivities, this research offers a comprehensive understanding of the state's evolving form in response to global and domestic pressures. In this study, I have explored the evolution of the Indian state through the lens of financialization, tracing its transformation from a developmentalist state to one deeply embedded in the dynamics of neoliberalism and ultimately, a finance-diverted state. This transformation is not merely a shift in economic policies but a fundamental reconfiguration of the state's form and functions, with profound implications for India's socio-economic landscape.

Financialization is understood as a period within the broader framework of neoliberalism, characterized by an intensified focus on financial markets, instruments, and institutions. In India, financialization has deepened the neoliberal trajectory, significantly altering the state's role in economic management. The study acknowledges that while the trajectory of financialization may differ across various social formations, its impact on state structures and policies is profound and warrants detailed investigation into specific policy implementations. The study situates financialization within the broader trajectory of neoliberalism, recognizing it as a distinct period that intensifies and deepens market-oriented reforms. Financialization is not just a phase but a process that restructures the very materiality of the state, influencing its strategic selectivities and institutional projects. In the Indian context, this process is marked by significant policy shifts towards deregulation, liberalization, and an increasing focus on infrastructure and finance-led growth.

Historically (Figure 5.1), India was a democratic developmental state, marked by strategies such as Import Substitution Industrialization (ISI), centralized planning, and heavy industrialization. With the neoliberal turn in the 1990s, India transitioned into a quasi-planned state that embraced market reforms, liberalization, and deregulation. In the 2010s, this transformation further deepened with the rise of financialization. The state's strategic focus moved towards infrastructure and finance, driven by policies that prioritized financial flows and market-based solutions. This period saw the emergence of a finance-diverted state, where the state's economic interventions were increasingly aligned with financial markets, often at the expense of broader developmental goals.

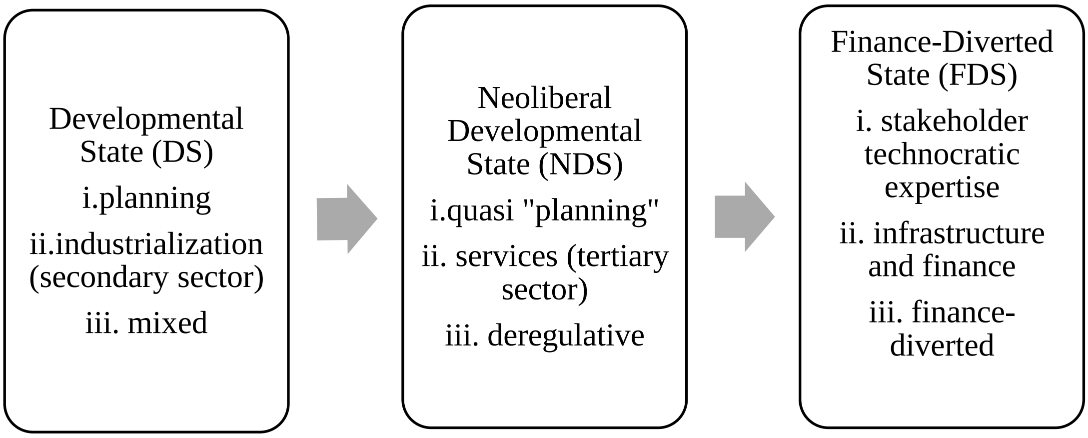


Figure 5. 1. Historical trajectory of forms of the state in India

The institutional ensemble of the state projects, strategic selectivities, and policy frameworks has been central to the process of financialization. The dissolution of the Planning Commission and the establishment of NITI Aayog exemplify this shift. NITI Aayog's role in facilitating asset monetization and promoting Public-Private

Partnerships (PPPs) underscores the state’s new orientation towards financialization. These changes reflect a broader reconfiguration of the state’s institutional ensemble, where traditional tools of developmental governance are being replaced by mechanisms that align financial imperatives.

The transformation of development finance in India is another critical aspect of this study. The decline of Development Financial Institutions (DFIs) and the shift towards infrastructure financing through market-based mechanisms mark a significant departure from the state’s earlier approach to economic development. The establishment of the National Bank for Financing Infrastructure and Development (NaBFID) in 2021 highlights the continuity of this transformation, with a focus on diversifying financial investment options and implementing de-risking strategies to attract private investment.

This shift from industrialization to infrastructure-led growth, mediated by financial markets, illustrates how the state’s role in economic development has been redefined. The state’s interventions are no longer confined to regulating or supporting specific industries; instead, they are increasingly centred on facilitating financial flows and market-driven growth. In the contemporary period, the Indian state has evolved into what can be termed a finance-diverted state. This state form is characterized by a prioritization of financial flows, infrastructure development, and finance-led policies over traditional industrial and developmental goals. The blurring of distinctions between public and private sectors, as seen in the increasing overlap between public and private banking, reflects the deep entrenchment of financialization within the state’s governance structure.

The main limitation of this study is its focused scope, which primarily examines the changing forms of state intervention in the process of economic development. While this analysis provides valuable insights into the transformation of the Indian state under financialization, further research is necessary to fully understand the broader implications of these changes, particularly in the dynamics of state-citizen and state-capital relationships. Policies such as the Priority Sector Lending (PSL) mechanism, which mandates banks to lend to specific sectors, industrial initiatives like “Make in

India", aimed at boosting domestic manufacturing, and welfare schemes such as the Public Distribution System (PDS), which ensures food security for the poor, are crucial areas where the impact of financialization is most evident. These policies reflect the intersection of state intervention and market-driven imperatives, illustrating how financialization influences both economic governance and social welfare. Future studies could contribute deeper into these areas, exploring how financialization reshapes the state's relationships with its citizens and with capital, and how these changes affect broader societal outcomes. Such analyses would provide a more comprehensive understanding of the multifaceted impacts of financialization on the Indian state and its development trajectory. The blurring of distinctions between public and private sector roles, particularly in banking and financial services, reflects the deep entrenchment of financialization within the state's governance structures.

The findings of this study open several avenues for future research. Comparative studies on development finance in other emerging economies, such as Turkey and Brazil, could also offer valuable perspectives on the global dynamics of financialization. Moreover, investigating the inter- and intra-class dynamics within the Indian context can further enrich the understanding of how financialization reshapes power relations and influences policy outcomes. This research agenda underscores the need for a critical re-examination of the state's role in economic development, particularly in the context of the ongoing shifts towards a finance-dominated policy regime.

Derisking, often perceived as merely a business-friendly strategy, goes beyond facilitating private investment; it reflects a fundamental change in the form of the state. In the context of financialization, derisking represents a shift where the state increasingly takes on the role of insulating private capital from potential losses, effectively transferring risks from the private sector to the public realm. This shift signals a transformation in the state's approach to economic governance, where the focus moves from developmental interventions aimed at public welfare to creating a conducive environment for private capital accumulation. In this process, the state becomes a facilitator and guarantor of financial markets, highlighting a more profound change in the state's orientation and priorities within the broader neoliberal framework.

The findings and discussions of this study open the door to important questions, such as whether it is possible for the state, in its current configuration, to institutionally return to developmental policies, such as industrial policies. Can newly established Development Banks be used for developmental purposes under the paradigm of financialization? Does the controlled liberalization in India, particularly under the policies of the RBI, mean that market-based financialization has not taken place?

The thesis has demonstrated that the examination of concrete policies is essential for any theoretical framing, highlighting that concrete policies often precede theory. In India, the political economy literature remains quite distant not only from the state's financialization but also from the broader financialization literature.

In India, the developmental state form, particularly characterized by the pejorative "Hindu rate of growth", appears to have been left behind. The lack of foreign investment and trade pessimism, which once set India apart from other developing countries' developmental experiences particularly East Asian counterparts, began to change with the country's gradual liberalization starting in the 1980s. India's economic growth model carries the fundamental codes of neoliberal financialization, yet it has been adapted both temporally and in policy prescriptions. In other words, financialization in India is home-grown rather than dependent, distinguishing it from other developing countries, especially given that India has not experienced a financial crisis caused by external shocks. However, the fact that development finance and policies in India have taken the form of what Daniela Gabor describes as the "Wall Street Consensus" or derisking highlights the financialization of development. This, in turn, indicates that the form of the state in India has also transformed into a finance-diverted state project.

Of course, the analysis of state form is not solely about the mode of economic intervention; it also involves a discussion of the power struggle between social forces within which this form is shaped. The success or failure of these projects is a secondary consideration. The composition of the power bloc and the political form in India, particularly in terms of authoritarianism, lie beyond the scope of this thesis. However, following critical state theory, it is not possible to conduct a discussion on political forms without addressing the forms of intervention. In other words, by discussing the state's modes of economic intervention in this thesis, a foundation has been laid for analysing power blocs, hegemony, and authoritarianism through inter- and intra-class analyses.

As I approached the completion of my thesis, I encountered Narendra Modi's Independence Day speech delivered at the Red Fort on August 15, 2014, a speech that held considerable symbolic significance as it marked his first address as Prime Minister. My research, which focused on understanding the transformations in India during the 2010s, had already identified the state's transformation, particularly in relation to financialization, as the primary factor reshaping the country's political economy. I believed that my analysis had uncovered the key parameters and sources of this significant shift. However, upon reflecting on Modi's speech, I realized with a sense of surprise that the transformation of the Indian state -from the establishment of NITI Aayog to the promotion of Public-Private Partnerships (PPPs) and financial inclusion- was already in the political promises. This realization ultimately reinforced my confidence that my research was on the right track. The change in development governance and transforming instruments of development finance are indeed pivotal in understanding the transformation of the Indian state in the 2010s.

Although public banks in India did not lose their significance within the financial system during the 2010s, private and international banks also became significant actors in the financial landscape. Non-banking financial institutions in India have reached a level of activity within the financial system that poses financial risks to the entire financial system. The Reserve Bank of India, the central bank, closely monitors the non-performing loan risks of both public banks and non-banking financial institutions. The state in India intervenes in the chronic issue of non-performing loans within the financial system through various instruments. In addition to the expansion and deepening of the banking sector in India, capital markets are also increasing their trading volumes. The trading volume of the

Mumbai Stock Exchange and the National Stock Exchange is growing day by day. Closely related to these developments, the state in India is witnessing interventions in the transition of development finance towards a market-based system. After the dissolution of the Planning Commission, NITI Aayog, which was established in its place, redefined the development paradigm along the axis of market-based finance. Moreover, this state institution is involved in the implementation process of both the asset monetization process of public assets and Public-Private Partnership (PPP) projects that include de-risking mechanisms. Furthermore, the state in India has established a new development bank with different functions and implementation priorities from the old development banks to finance infrastructure investments. This development bank has become a crucial instrument of the state's financialization process, serving as a catalyst for the financialization of development finance in the country. Against the backdrop of these developments, the thesis identifies that a new form of state has emerged in India, centred on the transformation of the state's modes of economic intervention. The transformation of the state form in India from a developmental state to a neoliberal developmental state is characterized as a state operating within a financial orbit.

REFERENCES

Aalbers, M. B. (2019). Financialization. In D. Richardson, N. Castree, M. F. Goodchild, A.L. Kobayashi & R. Marston (Eds.), *International encyclopedia of geography: People, the earth, environment, and technology* (pp. 1–12). Wiley.

Acharya, V.V., Khandwala, H. & Öncü, S. T. (2013). The growth of a shadow banking system in emerging markets: Evidence from India. *Journal of International Money and Finance, 39*, 207-230.

Adnan, S. (2014). Primitive accumulation and the "transition to capitalism" in neoliberal India. In B. Harriss-White & J. Heyer (Eds.), *Indian Capitalism in Development* (pp. 23-45). Routledge.

Agarwal, R. (2023). *The past & future of Indian finance.* M-RCBG Associate Working Paper Series, 212. Harvard Kennedy School.

Aglietta, M., & Breton, R. (2001). Financial systems, corporate control and capital accumulation. *Economy and Society, 30*(4), 433–466.

Agrawal, R. (2020). Review of infrastructure development and its financing in India. *Paradigm, 24*(1), 109-126.

Ahluwalia, I.J. (1998). Contribution of planning to Indian industrialization. In T.J. Byres (Eds.), *The State, development planning and liberalisation in India* (pp, 254-297). Oxford University Press.

Ahluwalia, M. S. (2002). Economic reforms in India since 1991: Has gradualism worked? *Journal of Economic Perspectives, 16* (3), 67-88.

Akçay, Ü. & Güngen, A. R. (2016). Finansallaşma, borç krizi ve çöküş: Küresel kapitalizmin geleceği. Notabene.

Akçay, Ü. & Güngen, A. R. (2022). Dependent financialisation and its crisis: the case of Turkey. *Cambridge Journal of Economics, 46* (2). 293-316,

Alami, I., Alves, C., Bonizzi, B., Kaltenbrunner, A., Koddenbrock, K., Kvangraven, I., & Powell, J. (2022). International financial subordination: a critical research agenda. *Review of International Political Economy, 30*(4), 1360-1386.

Allami, C. & Cibils, A. (2018). Financialization and development: Issues and perspectives. In H. Fagan & R. Munck, *Handbook of development and social change* (pp. 89- 108). Edward Elgar.

Alvarez, I. (2015). Financialization, non-financial corporations and income inequality: the case of France. *Socio-Economic Review*, *13* (3), 449-475.

Amsden, A. H. (1989). *Asia's next giant: South Korea and late industrialization*. Oxford University Press.

Amsden, A. H. (1990). Third world industrialization: 'Global Fordism' or a new model? *NLR*, *I* (192).

Ang, J. B. (2010). Finance and inequality: The case of India. *Southern Economic Journal*, *76*(3), 738–761.

Anwar, N. H. (2015). *Infrastructure redux: Crisis, progress in industrial Pakistan & beyond*. Palgrave Macmillan.

Auvray, T. & Rabinovich, J. (2019). The financialisation–offshoring nexus and the capital accumulation of US non-financial firms. *Cambridge Journal of Economics*.

Auvray, T. & Durand, C. & Rabinovich, J. *et al.* (2021). Corporate financialization's conservation and transformation: from Mark I to Mark II. *Rev Evolutionary Political Economy, 2*, 431-457.

Ayhan, B., & Üstüner, Y. (2023). Turkey's public-private partnership experience: a political economy perspective. *Southeast European and Black Sea Studies*, *23*(1), 115-138.

Azad, R., Bose, P. & Dasgupta, Z. (2017). Riskless capitalism in India: Bank credit and economic activity. *Economic and Political Weekly*, *52*(31), 85-98.

Bagchi, A. K. (1976). De-industrialization in India in the nineteenth century: Some theoretical implications. *Journal of Development Studies*, *12* (2), 135-164.

Bagchi, A.K. (2010). *Colonialism and Indian economy*. Oxford University Press.

Balasubramanian, A., & Raghavan, S. (2018). Present at the creation: India, the global economy, and the Bretton Woods Conference. *Journal of World History*, *29*(1), 65-94.

Ban, C., & Gabor, D. (2016). The political economy of shadow banking. *Review of International Political Economy*, *23*(6), 901- 914.

Banks, G., & Overton, J. (2021). Grounding financialization: Development, inclusion, and agency. *Area*, *54*(2), 168-175.

Bardhan, P. (1984). *The political economy of development in India*. Oxford University Press.

Baru, S. & Desai, M. (2018). *The Bombay plan: Blueprint for economic resurgence*. Rupa Publications India.

Basile, E. (2013). *Capitalist development in India's informal economy*. Routledge.

Batabyal, R. (2007). *The Penguin book of modern Indian speeches: 1877 to the present*. Penguin books.

Bayliss, K. & van Waeyenberge, E. (2018). Unpacking the Public Private Partnership revival. *The Journal of Development Studies, 54*(4), 577-593.

Bayliss, K. & van Waeyenberge, E. (2023). The financialization of infrastructure in sub-Saharan Africa. In E. Chiapello, A. Engels & E.G. Gresse (Eds.), *Financializations of development: Global games and local experiments* (pp. 78-92). Routledge.

Bayliss, K., Van Waeyenberge, E., & Bowles, B. O. L. (2023). Private equity and the regulation of financialised infrastructure: the case of Macquarie in Britain's water and energy networks. *New Political Economy*, *28*(2), 155–172.

Bhagwati, J. (1993). *India in transition: Freeing the economy*. Clarendon Press Oxford.

Bhagwati, J. & Panagariya, A. (2013). *Why growth matters: How economic growth in India reduced poverty and the lessons for other developing countries*. PublicAffairs.

Bhattacharya, D. (1972). *A concise history of the Indian economy*. Progressive Publishers.

Bhattacharya, R. (2010). Capitalism in post-colonial India: Primitive accumulation under dirigiste and laissez faire regimes. *Open Access Dissertations*. 252.

Bear, L. & Knight, D. M. (2017). Alternatives to austerity. *Anthropology Today*, *33* (5), 1-2.

Bear, L. (2017). "Alternatives" to austerity: A critique of financialized infrastructure in India and beyond. *Anthropology Today*, *33*(5), 3-7.

Becker, J., Jager, J., Leubolt, B. & Weissenbacher, R. (2010). Peripheral financialization and vulnerability to crisis: A regulationist perspective. *Competition and Change*, *14*(3-4), 225-247.

Bernards, N. (2023). Where is finance in the financialization of development? *Globalizations*.

Bishnoi, T.R. & Devi, S. (2017). *Banking reforms in India*. Palgrave Macmillan.

Bonizzi, B., Kaltenbrunner, A. & Powell, J. (2019). *Subordinate financialization in emerging capitalist economies*. Greenwich Papers in Political Economy 23044. Greenwich Political Economy Research Centre.

Bonizzi, B. (2013). Financialization in developing and emerging countries: A survey. *International Journal of Political Economy*, *42*(4), 83-107.

Bortz, P.G. & Kaltenbrunner, A. (2018). The international dimension of financialization in developing and emerging economies. *Development and Change*, *49*(2). 375-393.

Bozkurt Gungen, S. (2023). Revisiting neoliberalism and new developmentalism: lessons from Turkey and Argentina. *Third World Quarterly*, *45*(1), 189–207.

Braun, B. (2020). Central banking and the infrastructural power of finance: the case of ECB support for repo and securitization markets. *Socio-Economic Review*, *18* (2), 395–418.

Bryan, D., Harvie, D., Rafferty, M. & Tinel, B. (2020). The financialized state. In C. Borch & R. Wosnitzer (Eds.), *The Routledge handbook of critical finance studies* (pp. 261- 277). Routledge.

Bryane, M. (2014). *Playing the shadowy world of emerging market shadow banking*. ZBW - Deutsche Zentralbibliothek für Wirtschaftswissenschaften, Leibniz Informationszentrum Wirtschaft.

Burton, S. (2015). *Hindistan tarihi*. İnkılap Kitabevi.

Byres, T.J. (1998). State, class and development planning in India. In T.J. Byres (Ed.), *The State, development planning and liberalisation in India* (pp, 38-81). Oxford University Press.

Byres, T.J. (2005). Neoliberalism and primitive accumulation in less developed countries. In A. Saad-Filho & D. Johnston (Eds.), *Neoliberalism: A critical reader* (pp, 83-90). Pluto Press.

Cammack, P. (2007). *Class politics, competitiveness, and the developmental state*. Papers in the politics of global competitiveness, No. 4.

Castells, M. (1992). Four Asian Tigers with a dragon head. In R. P. Appelbaum & J. Henderson (Eds.) *States and development in the Asian Pacific Rim* (pp. 33-70). Sage.

Cerny, P. G. (2020). The paradox of neoliberal hegemony in twenty-first-century world politics. In B. Martill & S. Schindlerin (Eds.), *Theory as ideology in International Relations the politics of knowledge* (pp, 140-164). Routledge.

Chakravarty, S. (1987). *Development planning: The Indian experience.* Oxford.

Chandra, B., Mukherjee, M., Mukherjee, A., Panikkar, K. N. & Mahajan, S. (1989). *India's struggle for independence*. Penguin.

Chandra, R., & Walton, M. (2020). Big potential, big risks? Indian capitalism, economic reform and populism in the BJP era. *India Review*, *19*(2), 176–205.

Chandrasekhar, C. P. & Ghosh, J. (2002). *The market that failed: A decade of neoliberal economic reforms in India*. LeftWord Books.

Chandrasekhar, C.P. (2011, April). *Development Banks: Their role and importance for development*. IDEAs.

Chandrasekhar, C. P. (2012). From dirigisme to neoliberalism: aspects of the political economy of the transition in India. In C. Kyung-Sup, L, Weiss & B. Fine (Eds.), *Developmental politics in transition: The neoliberal era and beyond* (pp. 140-165). Palgrave Macmillan.

Chandrasekhar, C.P. (2014). Development finance in the era of financial liberalization. In D.B. Papadimitriou (Ed.), *Contributions to economic theory, policy, development and finance*. Levy Institute Advanced Research in Economic Policy. Palgrave Macmillan.

Chandrasekhar, C. P. (2016a). Finance capital and the nature of capitalism in India today. *Indian Journal of Politics and International Relations*, *9*(2), 10-22.

Chandrasekhar, C.P. (2016b). National development banks in a comparative perspective. In, *Rethinking development strategies after the financial crisis volume II - Country studies and international comparisons* (pp 21-30). UNCTAD.

Chandrasekhar, C. P. & Ghosh, J. (2017). The financialization of finance? Demonetization and the dubious push to cashlessness in India. *Development and Change*, *49*(2), 420-436.

Chandrasekhar, C. P. & Ghosh, J. (2018). *Indian Banking: Current challenges & alternatives for the future*. AIBOC, Economic Research Foundation.

Chandrasekhar, C.P. (2020). The neoliberal transformation of development banking: the Indian experience. In D. Barrowclough & K. P. Gallagher & Richard Kozul-Wright (Eds.), *Southern-led development finance: Solutions from the Global South* (pp.109-122). Routledge.

Chandrasekhar, C.P. (2021). Down the rabbit hole: Asset reconstruction companies and the bad debt of Indian Banks. *Economic and Political Weekly, 56* (20), 51-58.

Chandrasekhar, C.P. (2022, October). *Public Development Banks and the SDGs: A global architecture for global good*. Finance in Common.

Chandrasekhar, C. P. & Ghosh, J. (2022). A bird's-eye view of Indian finance. In *State of finance in India report 2021-2022* (pp. 1-12). Yoda Press.

Chang, H. J. (1994). *The political economy of industrial policy*. Macmillan Press.

Chang, H. J. & Hauge, J. (2019). The concept of a 'developmental state' in Ethiopia. In F. Cheru, C. Cramer & A. Oqubay (Eds.), *The Oxford handbook of the Ethiopian economy* (pp. 824-841). Oxford University Press.

Chaudhry, P. K. & Kelkar, V. L., & Yadav, V. (2004). The evolution of 'homegrown conditionality' in India: IMF relations. *The Journal of Development Studies*, *40*(6), 59–81.

Chatterjee, E. (2022). New developmentalism and its discontents: State activism in Modi's Gujarat and India. *Development and Change*, *53*(1), 58-83.

Chatterjee, P. (1998). Development planning and the Indian state. In T.J. Byres (Eds.), *The State, development planning and liberalisation in India* (pp, 82-104). Oxford University Press.

Chatterjee, P. (2011). Democracy and economic transformation in India. In S. Ruparelia, S. Reddy, J. Harriss & S. Corbridge (Eds.), *Understanding India's new political economy: A great transformation?* (pp. 15- 34). Routledge.

Chattopadhyay, P. (1972). Mode of production in Indian agriculture: An 'anti kritik'. *Economic and Political Weekly*, *7* (53), A185-A192.

Chesnais, F. (2016). *Finance capital today*. Brill.

Chiapello, E. & Engels, A. & Gresse, E. G. (2023). Introduction: Financializations of development. In E. Chiapello, A. Engels & E.G. Gresse (Eds.), *Financializations of development: Global games and local experiments* (pp. 1-16). Routledge.

Chibber, V. (2005). Reviving the developmental state? The myth of the 'national bourgeoisie'. In L. Panitch & C. Leys (Eds.), *The empire reloaded: Socialist Register* (pp.144-165). Merlin Press.

Chibber, V. (2006). *Locked in place: State-building and late industrialization in India.* Princeton University Press.

Choi, C. (2018). Subordinate financialization and financial subsumption in South Korea. *Regional Studies, 54*(2), 209-218.

Clift, B. (2021). *Comparative political economy: States, markets and global capitalism*. Red Globe Press.

Connell, R., & Dados, N. (2014). Where in the world does neoliberalism come from?: The market agenda in Southern perspective. *Theory and Society, 43*(2), 117–138.

Corbridge, S. (2011). The contested geographies of federalism in post-reform India. In S. Ruparelia, S. Reddy, J. Harriss & S. Corbridge (Eds.), *Understanding India's new political economy: A great transformation?* (pp. 66- 80). Routledge.

Corbridge, S. & Harriss, J. & Jeffrey, C. (2013). *India today: Economy, politics & society*. Polity.

Crowley, T. (2014, May 12). *The many faces of the Indian Left*. Jacobin. https://jacobin.com/2014/05/the-many-faces-of-the-indian-left/

Das, R. J. (2020). *Critical reflections on economy and politics in India: A class theory perspective.* Brill.

Das Gupta, C. (2016). *State and capital in independent India: Institutions and accumulation*. Cambridge University Press.

Dasgupta, B. (2021). Capital accumulation and finance capital in the age of finance. In B. Dasgupta, A. Ghosh & B. Ghosh (Eds.), *Neoliberalism in the emerging economy of India: The political economy of international trade, investment and finance* (pp. 29-47). Routledge.

De, R. (2024). *A History of Economic Policy in India: Crisis, Coalitions, and Contingency*. Cambridge University Press.

Demirgüç-Kunt, A. & R. Levine (1999). *Bank-based and market-based financial systems: Cross country comparisons*. Policy Research Working Paper No. 2143. World Bank.

Demirgüç-Kunt, A., Klapper, L. & Singer, D. (2017). *Financial inclusion and inclusive growth: A review of recent empirical evidence*. Policy Research Working Paper No. 8040. World Bank

Desai, R. (2011). Gujarat's Hindutva of capitalist development. *South Asia: Journal of South Asian Studies, 34*(3), 354–381.

Deyo, F. C. (Ed.) (1987). *The political economy of the new Asian industrialism*. Cornell University Press.

Dreze, J. & Sen, A. (2013). *An uncertain glory: India and its contradictions*. Allen Lane.

Duménil, G. & Lévy, D. (2005). The Neoliberal (Counter-)Revolution. In A. Saad-Filho & D. Johnston (Eds.), *Neoliberalism: A Critical Reader* (pp. 9-19). Pluto Press.

Dwivedi, G. & Raghuvanshi, S. (2022). *Financing and Financing Models for Infrastructure Projects*. National Conference on Infrastructure Sector in India, 29-30th August 2022, India International Centre, New Delhi.

Echeverri-Gent, J., Sinha, A., & Wyatt, A. (2021). Economic distress amidst political success: India's economic policy under Modi, 2014-2019. *India Review*, *20*(4), 402–435.

Endrejat, V. (2024). Off-balance-sheet policies to the rescue: The role of statistical expertise for European public–private partnerships. *Competition & Change*, 0(0).

Epstein, G. (2005). Introduction: Financialization and the world economy. In G. Epstein (Ed.), *Financialization and the world economy* (pp. 3-16). Edward Elgar.

Evans, P.B. (1995). *Embedded autonomy: States and industrial transformation*. Princeton University Press.

Fastenrath, F. & Schwan, M., & Trampusch, C. (2016). Where states and markets meet: the financialisation of sovereign debt management. *New Political Economy*, *22*(3), 273-293.

Ferraz, J. C. (2023). *Development finance institutions for sustainable industrial development*. Policy Brief Series: Insights On Industrial Development. United Nations Industrial Development Organization.

Fine, B. & Stoneman, C. (1996). Introduction: State and development. *Journal of Southern African Studies*, *22*(1), 5-26.

Fine, B. (2011). Locating the developmental state and industrial and social policy after the crisis. In, *the least developed countries report 2011: The potential role of South-South cooperation for inclusive and sustainable development*, Background Paper No 3. UNCTAD.

Fine, B. (2013). Financialization from a Marxist perspective. *International Journal of Political Economy*, *42*(4), 47–66.

Fine, B., & Saad-Filho, A. (2017). Thirteen things you need to know about neoliberalism. *Critical Sociology, 43*(4-5), 685-706.

Fine, B. & Pollen, G. (2018). The Developmental State Paradigm in the age of financialization. In G. H. Fagan & R. Munck (Eds.), *Handbook on development and social change* (pp. 211–227). Edward Elgar Publishing.

Fine, B. (2020). Situating PPPs. In J. Gideon & E. Unterhalter (Eds.), *Critical reflections on Public Private Partnerships* (pp. 26-38). Routledge.

Frankel, F. (2005). *India's political economy, 1947- 2004: The gradual revolution*. Oxford University Press.

Gabor, D. (2018). Goodbye (Chinese) shadow banking, hello market-based finance. *Development and Change*, *49*(2), 394-419.

Gabor, D. (2020). Critical macro-finance: A theoretical lens. *Finance and Society*, *6*(1), 45-55.

Gabor, D. (2021). The Wall Street Consensus**.** *Development and Change*, *51*(3), 478-502.

Ganguly, A., & Vasudevan, R. (2023). Financial liberalization and the Indian non-financial, corporate sector. *Competition & Change*, *27*(1), 74-93.

Gerschenkron, A. (1962). *Economic backwardness in historical perspective: A book of essay.* The Belknap Press of Harvard University Press.

Ghatak, M., Ghosh, P., & Kotwal, A. (2014). Growth in the time of UPA: Myths and reality. *Economic and Political Weekly, 49*(16), 34–43.

Gramsci, A. (1971). *Selections from the prison notebooks.* Lawrence & Wishart.

Guha Thakurata, S. (2024). India's economic growth since the 1980s and the role of the state: An alternative perspective. *Review of Radical Political Economics*.

Guichard, S. & Mehrotra, S. (2020). Planning for a 21st century India. In S. Guichard & S. Mehrotra (Eds.), *Planning in the 20th century and beyond: India's Planning Commission and the NITI Aayog* (pp. 1-22). Cambridge University Press.

Gungen, A. R. (2018) Financial inclusion and policy-making: Strategy, campaigns and microcredit *a la Turca*. *New Political Economy*, *23*(3), 331-347.

Gupta, S. D. (2013). Social character of the Indian state: A survey of current trends. In S. K. Das & A. Vanaik (Eds.), *Political science: Volume 1: The Indian state* (pp. 1-23). Oxford University Press.

Hall, D. (2015). *Why Public-Private Partnerships don't work: The many advantages of the public alternative*. Public Services International.

Hardie, I. (2012). *Financialization and government borrowing capacity in emerging markets*. Palgrave Macmillan.

Harvey, D. (2005). *A Brief History of Neoliberalism*. Oxford University Press.

Hänsel, C. (2018). Capitalist Planning? The "Bombay Plan" as contribution to economic debates within the Indian National Movement, 1927-1945. *International Relations and Diplomacy,6* (1), 31-39.

Helleiner, E. (2015). India and the neglected development dimensions of Bretton Woods. *Economic and Political Weekly*, *50*(29), 31-39.

Healey, J. M. (1965*). The development of social overhead capital in India 1950-1960*. Oxford Basil Blackwell.

Hensman, R. (2011). *Workers, unions and global capitalism: Lessons from India*. Columbia University

Hensman, R. (2015). Alternatives to neoliberalism in India. In L. Pradella & T. Marois (Eds.), *Polarising development: Alternatives to neoliberalism and the crisis* (pp. 203-213). Pluto Press.

Hudson, M. (1969). Epitaph for Bretton Woods. *Journal of International Affairs*, *23*(2), 266–301.

Hudson, M. (2021). Finance capitalism versus industrial capitalism: The rentier resurgence and takeover. *Review of Radical Political Economics*, *53*(4), 557-573.

Jaffrelot, C. (2015). What 'Gujarat Model'? -Growth without development- and with socio-political polarisation. *South Asia: Journal of South Asian Studies*, *38*(4), 820-838.

Jain, S. & Gabor, D. (2020). The rise of digital financialisation: The case of India. *New Political Economy*, *25*(5), 813-828.

Jayadev, A., Mason, J. W., & Schröder, E. (2018). The political economy of financialization in the United States, Europe and India. *Development and Change*, *49*(2), 353–374.

Jayadev, A. & Motiram, S. & Vakulabharanam, V. (2011). Patterns of wealth disparities in India 1991-2002. In S. Ruparelia, S. Reddy, J. Harriss & S. Corbridge (Eds.), *Understanding India's new political economy: A great transformation?* (pp. 81- 100). Routledge.

Jenkins, R. (1999). *Democratic Politics and Economic Reform in India.* Cambridge University Press.

Jessop, B. (1985). *Nicos Poulantzas Marxist theory and political strategy***.** Macmillan.

Jessop, B. (1999). The strategic selectivity of the state: reflections on a theme of Poulantzas'. *Journal of the Hellenic Diaspora*, *25* (1-2), 1-37.

Jessop, B. (2002). Liberalism, neoliberalism, and urban governance: A state-theoretical perspective. *Antipode*, *34*(3), 452-472.

Jessop, B. (2013). Finance-dominated accumulation and post-democratic capitalism. In S. Fadda & P. Tridico (Eds.), *Institutions and economic development after the financial crisis* (pp.83-105). Routledge.

Jessop, B. (2016a). *The state: Past, present, future*. Polity Press.

Jessop, B. (2016b). Primacy of the economy, primacy of the political: Critical theory of neoliberalism. In U. Bittlingmayer & A. Demirovic & T. Freytag (Eds), *Handbuch Kritische Theorie* (pp. 893-905). Springer.

Jessop, B. (2019). Authoritarian neoliberalism: Periodization and critique. *South Atlantic Quarterly*, *118* (2), 343–361.

Jessop, B. & Morgan, J. (2022). The strategic-relational approach, realism and the state: from regulation theory to neoliberalism via Marx and Poulantzas, an interview with Bob Jessop, *Journal of Critical Realism*, *21*(1), 83-118.

Johnson, C. (1982). *MITI and the Japanese miracle*. Stanford University Press.

Jomo, K. S. & Chowdhury, A. (2019). World Bank financializing development. *Development*, *62*, 147-153.

Jomo, K. S., Chowdhury, A., Sharma, K., & Platz, D. (2016). *Public-private partnerships and the 2030 Agenda for Sustainable Development: Fit for* *purpose?* (DESA Working Paper No. 148). Department of Economic & Social Affairs.

Jung, J. & Lee, Y. (2022). Financialization and corporate downsizing as a shareholder value strategy. *Socio-Economic Review*, *20* (4), 1795–1823.

Kamath, K.V. (2021). Right Time for a New DFI in India. In *New-generation DFI in India: Opportunities and challenges* (pp. 7-10). A report based on RIS-IIC webinar series on banking & finance 2020-2021. RIS.

Kaltenbrunner, A. & Painceira, J. P. (2015). Developing countries' changing nature of financial integration and new forms of external vulnerability: the Brazilian experience. *Cambridge Journal of Economics,* 39 (5), 1281-1306.

Kaltenbrunner, A. & Painceira, J. P. (2018). Subordinated financial integration and financialisation in emerging capitalist economies: The Brazilian experience. *New Political Economy*, *23*(3), 290-313.

Kaltenbrunner, A. & Karaçimen, E. & Rabinovich, J. (2024). Assessing financialization under international financial subordination: a mixed-methods study of Brazilian and Turkish non-financial corporations. *Socio-Economic Review*.

Kapur, S. & Kim, S. (2006). *British colonial institutions and economic development in India*.

Karwowski, E. & Stockhammer, E. (2017). Financialisaton in emerging economies: a systematic overview and comparison with Anglo-Saxon economies. *Economic and Political Studies, 5*(1), 60-86.

Karwowski, E. (2018). Corporate financialization in South Africa: From investment strike to housing bubble. *Competition and Change*, *22*(4), 413-436.

Karwowski, E. & Centurion-Vicencio, M. (2018). Financialising the state: recent developments in fiscal and monetary policy. *HAL Id: Halshs-01713028*.

Karwowski, E., Shabani, M., & Stockhammer, E. (2019). Dimensions and determinants of financialisation: Comparing OECD Countries since 1997. *New Political Economy*, *25*(6), 957–977.

Karwowski, E. (2019). *Economic development and variegated financialization in emerging economies.* Financial Geography Working Paper Series.

Karwowski, E. (2019). Towards (de-)financialisation: the role of the state. *Cambridge Journal of Economics*, *43*(4), 1001-1027.

Karwowski, E. (2021). Financialization in South Africa. In A. Oqubay, F. Tregenna & I. Valodia (Eds), *The Oxford Handbook of the South African Economy* (pp. 1013-1030). Oxford University Press.

Karwowski, E. (2022). Commercial finance for development: a back door for financialisation. *Review of African Political Economy*, *49*(171), 161-172.

Karacimen, E. (2014). Financialization in Turkey: The case of consumer debt. *Journal of Balkan and Near Eastern Studies*, *16*(2), 161-180.

Karas, D. (2022). Financialization and state capitalism in Hungary after the Global Financial Crisis. *Competition & Change*, *26*(1), 29-52.

Kaul, I. & Conceição, P. (2006). Why revisit public finance today? What this book is about. In, I. Kaul & P. Conceição (Eds.), *The new public finance: Responding to global challenges* (pp. 3-27). UNDP and Oxford University Press.

Kaul, N. (2017). Rise of the political right in India: Hindutva-development mix, Modi myth, and dualities. *Journal of Labor and Society*, *20* (4), 523-548.

Kaviraj, S. (1986). Indira Gandhi and Indian politics. *Economic and Political Weekly*, *21*(38/39), 1697-1708.

Kaviraj, S. (1988). A critique of passive revolution. *Economic and Political Weekly*, *23* (45-7), 2429-44.

Kiernan, V. (1990). Modern capitalism and its shepherds. *New Left Review*, (183).

Kohli, A. (2004*). State-directed development: Political power and industrialization in the global periphery*. Cambridge University Press.

Kohli, A. (2006a). Politics of economic growth in India, 1980-2005: Part II: The 1990s and beyond. *Economic and Political Weekly*, *41*(14), 1361-1370.

Kohli, A. (2006b). Politics of economic growth in India, 1980-2005: Part II: The 1990s and beyond. *Economic and Political Weekly*, *41*(14), 1361-1370.

Krippner, G. R. (2011). *Capitalizing on crisis: The political origins of the rise of finance*. Harvard University Press.

Kvangraven, I.H., Koddenbrock, K. & Sylla, N.S. (2021). Financial subordination and uneven financialization in 21st century Africa. *Community Development Journal*, *56*(1), 119-140.

Lagna, A. (2016). Derivatives and the financialisation of the Italian state. *New Political Economy*, *21*(2), 167–86.

Lai, K. P. (2023). Financial geography I: The state-finance nexus. *Progress in Human Geography*, *47*(4), 591-603.

Lampa, R., Tavasci, D. & Ventimiglia, L. (2022). External finance, subordinated financialisation: a reflection on Argentina's currency flights in the last three decades. *Cambridge Journal of Economics*, *46*(5), 977-1003.

Langley, P. (2020). Assets and assetization in financialized capitalism. *Review of International Political Economy*, *28*(2), 382-393.

Lapavitsas, C. (2011). Theorizing financialization. *Work, Employment and Society*, *25*(4), 611-626.

Lapavitsas, C., & Soydan, A. (2022). Financialisation in developing countries: approaches, concepts, and metrics. *International Review of Applied Economics*, *36*(3), 424-447.

Lapavitsas, C. (2023). *The state of capitalism: Economy, society, hegemony*. Verso.

Lavers, T. (2023). *Ethiopia's 'Developmental State': Political order and distributive crisis*. Cambridge University Press.

Liang, Y. & Jia, H. (2018). Key success indicators for PPP projects: Evidence from Hong Kong. *Advances in Civil Engineering*, *1*.

Lin, S. G. (1980). Theory of a dual mode of production in post-colonial India. *Economic and Political Weekly*, *15* (10), 516-529.

Loxley, J. (2013). Are public-private partnerships (PPPs) the answer to Africa's infrastructure needs? *Review of African Political Economy*, *40*(137), 485-495.

Majumdar, S.K. & Sen, K. (2007). The debt wish: Rent seeking by business groups and the structure of corporate borrowing in India. *Public Choice*, *130,* 209-223.

Marazzi, C. (2011). *The violence of financial capitalism*. Semiotext(e).

Marois, T. (2012). *States, banks and crisis: Emerging finance capitalism in Mexico and Turkey.* Edward Elgar.

Marois, T. (2015). Banking on alternatives to development. In L. Pradella & T. Marois (Eds.), *Polarising development: Alternatives to neoliberalism and the crisis* (pp. 27-39). Pluto Press.

Martínez-Lacambra, A. (2013). Governance in public and private management. *Local Government Studies*, *39*(3), 455-459.

Marx, K. [1853a] (2023, May 2). *The future result of British Rule in India*. Marxist Internet Archive.

Marx, K. [1853b] (2023, May 2). *British rule in India*. Marxist Internet Archive.

Marx, K. [1881] (2023, May 2). *Letter from Marx to Nikolai Danielson in St. Petersburg.* Marxist Internet Archive.

Mawdsley, E. (2018). Development geography II: Financialization. *Progress in Human Geography*, *42*(2), 264-274.

Maxfield, S., & Nolt, J. H. (1990). Protectionism and the internationalization of capital: U.S. sponsorship of Import Substitution Industrialization in the Philippines, Turkey and Argentina. *International Studies Quarterly, 34*(1), 49–81.

Mazzucato, M. (2013). *The entrepreneurial state: Debunking public vs. private sector myths.* Anthem Press.

McArthur, J. (2024). Infrastructure debt funds and the assetization of public infrastructures. *Environment and Planning A: Economy and Space*, *56*(3), 681-698.

McCartney, M. (2005). Neoliberalism and South Asia: The case of a narrowing discourse. In A. Saad-Filho & D. Johnston (Eds.), *Neoliberalism: A Critical Reader* (pp. 237-243). Pluto Press.

Mertens, D., & Thiemann, M. (2018). Market-based but state-led: The role of public development banks in shaping market-based finance in the European Union. *Competition & Change*, *22*(2), 184-204.

Michell, J. & Toporowski, J. (2013). Critical observations on financialization and the financial process. *International Journal of Political Economy*, *42*(4), 67–82.

Minsky, H. P. (1967). Financial intermediation in the money and capital markets. Hyman P. Minsky Archive. 337.

Minsky, H. P. (1977). The financial instability hypothesis: An interpretation of Keynes and an alternative to “standard” theory. *Nebraska Journal of Economics and Business*, *16*(1), 5–16.

Minsky, H. P. (1994). Regulation and supervision. Hyman P. Minsky Archive. 443.

Mohan, R. (2021). New development finance institution and infrastructure financing in India. In *New-generation DFI in India: Opportunities and challenges* (pp.1-6). A report based on RIS-IIC webinar series on banking & finance 2020-2021. RIS.

Mukherjee, A., & Mukherjee, M. (1988). Imperialism and growth of Indian capitalism in twentieth century. *Economic and Political Weekly*, *23*(11), 531–546.

Mukherjee, A. (2010). Empire: How Colonial India made Modern Britain. *Economic and Political Weekly*, *45*(50), 73–82.

Mukherji, R. (2016). Is India a developmental state? In, Y. Chu (Ed.), *The Asian developmental state: Reexaminations and new departures* (pp. 217-236). Palgrave Macmillan.

Murali, K. (2019). Economic liberalization and the structural power of business. In C. Jaffrelot & A. Kohli & K. Murali (Eds.), *Business & politics in India* (pp. 25-49). Oxford University Press.

Mushtaq, F. (2020). Development finance or financial accumulation for asset managers?: The perils of the global shadow banking system in developing countries. *New Political Economy*, *26*(4), 554–573.

Naqvi, N. (2018). Finance and industrial policy in unsuccessful developmental states: The case of Pakistan. *Development and Change*, *49*(4), 1064-1092.

Nayar, B. R. (2001). *Globalization and nationalism the changing balance in India's economic policy, 1950-2000.* Sage Publications.

Nayar, B. R. (2006). When did the "Hindu" rate of growth end? *Economic and Political Weekly, 41*(19), 1885–1890.

Nayar, B. R. (2015). The political economy of reform under the UPA, 2004–14: The tension between accumulation and legitimacy. *India Review*, *14*(2), 175–202.

Nayyar, D. (2013). *Catch up: developing countries in the world economy*. Oxford University Press.

Nayyar, D. (2015). Birth, life and death of development finance institutions in India. *Economic and Political Weekly, 50*(33), 51–60.

Nilsen, A. G. (2021). India’s trajectories of change, 2004–2019. In M. Williams & V. Satgar (Eds.), *Destroying democracy: Neoliberal capitalism and the rise of authoritarian politics* (pp. 112-126). Wits University Press.

O’Brien, P. & Pike, A. (2017). The financialization and governance of infrastructure. In R. Martin & J. Pollard (Eds.), *Handbook on the geographies of money and finance* (pp. 223-252). Edward Elgar Publishing.

O’Brien, P., O’Neill, P., & Pike, A. (2019). Funding, financing and governing urban infrastructures. Urban Studies, 56 (7), 1291-1303.

O’Neill, P. (2019). The financialisation of urban infrastructure: A framework of analysis. *Urban Studies*, *56*(7), 1304-1325.

Orhangazi, O. (2015). Financialization and the nonfinancial corporate sector. In U. Mattei & J. D. Haskell (Eds.). *Research handbook on political economy and law* (pp. 138-150). Edward Elgar.

Öniş, Z. (1991). The logic of the developmental state. *Comparative Politics*, *1*(24), 109-126.

Öniş, Z. & Şenses, F. (2005). Rethinking the emerging Post-Washington Consensus. *Development and Change, 36*(2), 263-290.

Palley, T. I. (2007). Financialization: What it is and why it matters. PERI Working Paper Series 153, UMass.

Panagariya, A. (2004). *India in the 1980s and 1990s: A triumph of reforms* (IMF Working Paper No. WP/04/43). International Monetary Fund.

Panagariya, A. (2008). *India: The emerging giant*. Oxford University Press.

Pathak, B. V. (2018). *Indian financial system: Markets, institutions and services.* Pearson.

Patnaik, U. (2012). Primitive accumulation and the peasantry in the present era of neoliberalism with reference to the Indian experience. In A. Dirlik, R. Prazniak & A. Woodside (Eds.), *Global capitalism and the future of agrarian society* (pp. 169-192). Paradigm Publishers.

Patnaik, P. (1984). Market question and capitalist development in India. *Economic and Political Weekly, 19*, (31/33), 1251-1260.

Patnaik, P., & Chandrasekhar, C. P. (1995). Indian economy under "structural adjustment." *Economic and Political Weekly*, *30*(47), 3001-3013.

Poulantzas, N. (1980). *State, power, socialism*. Verso.

Poulantzas, N. (1980b). Research note on the state and society. *International Social Science Journal*, *XXXII*(4), 600-608.

Rabinovich, J. (2019). The financialisaton of the nonfinancial corporation. A critique to the financial turn of accumulation hypothesis. *Metroeconomica*, *70*, 738-775.

Rabinovich, J. (2023). Tangible and intangible investments and sales growth of US firms. *Structural Change and Economic Dynamics*, *66*, 200–212.

Radice, H. (2008). The developmental state under global neoliberalism. *Third World Quarterly*, *29*(6), 1153–1174.

Rethel, L. (2011). Financialisation and the Malaysian political economy. *Globalizations*, *7*(4), 489-506.

Romero, M.J. (2016). Development finance takes 'private turn': Implications and challenges ahead. *Development*, *59*, 59-65.

Rudolph, L.I. & Rudolph, S.H. (1987). *In pursuit of Lakshmi: The political economy of the Indian state*. The University of Chicago Press.

Ruparelia, S. (2013). India's new rights agenda: Genesis, promises, risks. *Pacific Affairs, 86* (3). 569-590.

Saad-Filho, A. (2005). From Washington to Post-Washington Consensus: Neoliberal agendas for economic development. In A. Saad-Filho & D. Johnston (Eds.), *Neoliberalism: A Critical Reader* (pp. 113-119). Pluto Press.

Saad-Filho, A. & Yalman, G. (2010). Introduction. In A. Saad-Filho & G.L. Yalman (Eds.), *Economic transitions to neoliberalism in middle-income countries: Policy dilemmas, economic crises, forms of resistance* (pp. 1-7). Routledge.

Sanyal, K. (2007). *Rethinking capitalist development: Primitive accumulation, governmentality & post-colonial capitalism*. Routledge.

Sau, R. (1984). Development of capitalism in India. *Economic and Political Weekly*, *19* (30), pp. PE73-PE80.

Sawyer, M. (2013). What is financialization? *International Journal of Political Economy*, *42*(4), 5–18.

Sawyer, M. (2022). *Financialization: Economic and Social Impacts*. Agenda Publishing.

Schipke, A., Turunen, J., Choueiri, N. & Gulde, A. M. (2023) (Eds.). *India's financial system: Building the foundation for strong and sustainable growth*. IMF Publishing.

Schwan, M. & Trampusch, C., & Fastenrath, F. (2020). Financialization of, not by the state: Exploring changes in the management of public debt and assets across Europe. *Review of International Political Economy, 28*(4), 820–842.

Screpanti, E. & Zamagni, S. (2005). *An outline of the history of economic thought*. Oxford.

Sen, A. (2017). *The State, industrialization and class formations in India.* Routledge.

Sen, S. (2008). De-regulated finance and impact on corporate investments: The case of industry and labour in India. In P. Arestis & de Paula L. F. (Eds.), *Financial liberalization and economic performance in emerging countries* (pp.173-193). Palgrave Macmillan.

Sen, S. (2010). *Managing finance in emerging economies: The case of India*. The Levy Economics Institute Working Paper 630.

Sen, S. & Dasgupta, Z. (2018). Financialization and corporate investment: the Indian case. *Review of Keynesian Economics*, *6*(1), 96-113.

Sen, S. (2021). De-regulation of finance in China and India: A Post-Keynesian analysis. In B. Bonizzi, A. Kaltenbrunner& R.A. Ramos (Eds.), *Emerging economies and the global financial system* (pp. 258-274).

Sen Gupta, A. (2011). *The current state of financial and regulatory frameworks in Asian economies: The case of India*. ADBI Working Papers 303, Asian Development Bank Institute.

Sengupta, M. (2016). Modi planning: What the NITI Aayog suggests about the aspirations and practices of the Modi government, *South Asia: Journal of South Asian Studies*, *38* (4), 791-806.

Sengupta, R., Song, L. L. & Vardhan, H. (2021). *A study of nonbanking financial companies in India*. ADB South Asia Working Paper Series, 83.

Singh, M.P. (1990). The crisis of the Indian state: From quiet developmentalism to noisy democracy. *Asian Survey, 30* (8), 809-819.

Sinha, A. (2004). The changing political economy of federalism in India: A historical institutionalist approach. *India Review*, 3, 25-63.

Sinha, A. (2010). Reforming public services in a high growth state: The case of Gujarat. In V. Chand (Ed.), *Public service delivery in India: Understanding the reform process* (pp. 126-176). Oxford University Press.

Sinha, A. (2016). Why has "development" become a political issue in Indian politics? *The Brown Journal of World Affairs*, *23*(1), 189-203.

Sinha, A. (2019). India's porous state: Blurred boundaries and the evolving business-state relationship. In C. Jaffrelot & A. Kohli & K. Murali (Eds.), *Business & politics in India* (pp. 50-87). Oxford University Press.

Sirohi, R.A. (2019). *From developmentalism to neoliberalism: A comparative analysis of Brazil and India*. Palgrave Macmillan.

Soener, M. (2023). Financialization goes South: Foreign capital flows and financial accumulation in emerging markets. *International Journal of Comparative Sociology*, *64*(4), 327-349.

Spratt, S. (2009). *Development finance: Debates, dogmas, and new directions*. Routledge.

Srinivasan, T.N. (2004). *Comment on Dani Rodrik and Arvind Subramanian, "from Hindu growth to productivity surge"*. Jacques Polak Annual Conference: Policies, Institutions and Instability, Nov.4-5, IMF, Washington D.C.

Sud, N. (2012). *Liberalization, Hindu nationalism and the state: A biography of Gujarat*. Oxford University Press.

Sud, N. (2020). The actual Gujarat Model: Authoritarianism, capitalism, Hindu nationalism and populism in the time of Modi. *Journal of Contemporary Asia*, *52*(1), 102–126.

Swenden, W., & Saxena, R. (2017). Rethinking central planning: A federal critique of the Planning Commission. *India Review*, *16*(1), 42-65.

Tan, C. (2022). Audit as accountability: Technical authority and expertise in the governance of private financing for development. *Social & Legal Studies*, *31*(1), 3-26.

Thakurdas, et al. (1944). *A plan of economic development for India*. Commercial Printing Press.

Thomson, F. & Dutta, S. (2015). *Financialisation, a primer*. Transnational Institute.

Thorner, A. (1982). Semi-feudalism or Capitalism? Contemporary debate on classes and modes of production in India. *Economic and Political Weekly, 17* (49), 1961-1968.

Tori, D. & Onaran, Ö. (2018). The effects of financialization on investment: evidence from firm-level data for the UK. *Cambridge Journal of Economics, 42* (5) 1393–1416.

Torri, M. (1975). Factional politics and economic policy: The case of India's bank nationalization. *Asian Survey, 15*(12), 1077–1096.

Trampusch, C. (2019). The financialization of the state: Government debt management reforms in New Zealand and Ireland. *Competition & Change, 23*(1), 3-22.

Vakulabharanam, V. (2010). Does class matter? Class structure and worsening inequality in India. *Economic and Political Weekly, 45*(29), 67–76.

Van der Zwan, N. (2014). Making sense of financialization, *Socio-Economic Review, 12*(1), 99-129.

Van Waeyenberge, E. (2015). *The private turn in development finance* (FESSUD Working Paper Series No.140). Financialisation, Economy, Society and Sustainable Development Project.

Wade, R. (1990). *Governing the market: Economic theory and the role of government in East Asian industrialization.* Princeton University Press.

Wang, Y. (2015). The rise of the 'shareholding state': financialization of economic management in China, *Socio-Economic Review*, *13*(3), 603-625.

Wang, Y. (2020). Financialization and state transformations. In P. Mader, D. Mertens & N. van der Zwan (Eds.), *The Routledge international handbook of financialization* (pp. 188-199). Routledge.

Williamson, J. & Mahar, M. (1998). A survey of financial liberalization. *Essays in International Finance*, *211*.

Woo-Cumings, M. (Ed.) (1999). *The developmental state*. Cornell University Press.

Yadav, Y. (1999). Electoral politics in the time of change: India's third electoral system, 1989-99. *Economic and Political Weekly*, *34*(34/35), 2393-2399.

Yalman, G. L. (2002) Hegemonya projeleri olarak devletçilik, kalkınmacılık ve piyasa. In E.F. Keyman (Eds.*), Liberalizm, devlet, hegemonya: Türk modernleşmesi üzerine kurumsal ve tarihsel yansımalar* (pp. 315-339). Everest Yayınları.

Yalman, G., Marois, T., & Güngen, A. R. (2019). Introduction: Debating financial transformation in Turkey. In G. Yalman, T. Marois, & A. R. Güngen (Eds.) *Political economy of financial transformation in Turkey* (pp.1-23). Routledge.

Yalman, G. L. (2009). *Transition to neoliberalism: The case of Turkey in the 1980s*. İstanbul Bilgi Üniversitesi Yayınları.

APPENDICES

A. CURRICULUM VITAE

PINAR KAHYA

Türkiye

Education
2016- … **Middle East Technical University**
PhD
Political Science and Public Administration

2013-2016 **Middle East Technical University**
MSc degree with High Honour
Political Science and Public Administration

Framing mega regional trade agreements within global capitalism: an analysis of the TPP, TTIP and TISA proposals (MSc thesis)

2009-2013 **Middle East Technical University**
BSc degree with Honour
International Relations

Publications (in English)

Articles

KAHYA PINAR (2023). Quo vadis neoliberalism: A carefrontation of Veblen, Keynes, and Marx. *Fiscaoeconomia*, 7(1), 724-736

KAHYA PINAR (2021). Insights of the Turkish Association of Peace-Lovers on the Cold War. *The Turkish Yearbook of International Relations*, 50, 91-112.

Conference Proceedings

KAHYA PINAR (2024). Rethinking Financial Imperatives of Neoliberal Developmental State: Development Finance under "Finance-Diverted State" in India. 11th European Workshops in International Studies (EWIS) Istanbul, Türkiye.

KAHYA PINAR (2022). The “Modi”fication of the Indian State: Reconfiguration of State-Society Relations with Financial Articulation. Historical Materialism Congress Istanbul, Türkiye.

KAHYA PINAR (2018). The Problem of New Subjectivities in the Era of Insurgencies. IIPPE 9th Annual Conference in Political Economy Pula, Croatia.

Publications (in Turkish)

Articles

KAHYA, PINAR (2023). Ticaret Savaşları mı, Küresel Kapitalizmin Regülasyon Açmazı mı? Uluslararası Ticaret Anlaşmaları Kimin için?, *Politik Ekonomik Kuram* , 7(1), 32-42.

KAHYA PINAR (2021). Tolgahan Akdan, Soğuk Savaş ve Türkiye’nin Batı’ya Yönelişi, İstanbul, Yordam Kitap, 2020, *Uluslararası Iliskiler,*18 (69), 127-129. (SSCI /Book Review)

Conference Proceedings

KAHYA PINAR (2023). Hindistan'da(n) Devleti Tartışmak. Türk Sosyal Bilimler Derneği (TSBD) 17. Ulusal Sosyal Bilimler Kongresi, Ankara, Türkiye.

KAHYA PINAR (2017). Dünya Ticaretinin Mega Bölgesel Ticaret Anlaşmaları ile İmtihanı: TPP, TTIP ve TISA Anlaşmaları ve Küresel Kapitalizmde Anlaşmazlık Dinamikleri. Türk Sosyal Bilimler Derneği (TSBD) 15. Ulusal Sosyal Bilimler Kongresi. Ankara, Türkiye.

KAHYA PINAR (2017). Soğuk Savaş dönemi Türkiye düşünce hayatında Barışseverler Cemiyeti: ‘‘Niçin Sovyetler Birliği’nin Dostu?’’. Mülkiye Uluslararası İlişkiler Kongresi, 247-251, Ankara, Türkiye.

Research Experience

2015-… Research Assistant

Inonu University

Political Science and Public Administration

International Researcher IDs

Scholar ID: NJZv62MAAAAJ

ORCID: 0000-0003-4738-0568

Yoksis Researcher ID: 235445

B. TURKISH SUMMARY / TÜRKÇE ÖZET

Son yıllarda, Hindistan'ın gayri safi yurt içi hasıla (GSYİH) büyümesi, ülkeyi küresel düzlemde en hızlı büyüyen büyük ekonomilerden biri haline getirmiştir. COVID-19 pandemisindeki şoka rağmen, Hindistan'ın GSYİH'si 2022-23 periyodunda yüzde 7 oranında büyüdü; bu büyüme, artan tüketici harcamaları, altyapı yatırımları ve dijital ekonomi ile desteklendi. Satın alma gücü paritesine (SGP) bakıldığında ise bu dönemde Hindistan, Amerika Birleşik Devletleri ve Çin'in ardından dünyanın üçüncü büyük ekonomisi oldu. Hindistan'ın SGP bazındaki büyüme oranı, küresel ortalamanın üzerinde olup bu büyüme eğilimi, ülkenin küresel ekonomideki kritik rolünü göstermekte ve ülkenin makro-ekonomik göstergeleri dünya ekonomik büyümesine önemli katkılarda bulunmaktadır. Bu açıdan bakıldığında, son dönemde Hindistan ekonomisi, gelişmekte olan dünyadaki "başarı hikâyelerinden" biridir. Diğer başarı hikâyelerinden (Doğu Asya mucizeleri ve Asya Krizi) farklı olarak, Hindistan'ın başarı hikâyesinde büyük bir finansal kriz yaşanmamıştır. Hindistan'ın ekonomik büyümesi yakından incelendiğinde, 2000'li yılların başlarından itibaren iç kredi patlaması ve altyapı yatırımları için Yabancı Doğrudan Yatırımlar ve Yabancı Portföy Yatırımları şeklinde uluslararası sermaye akışlarının artışının etkili olduğu gözlenmektedir. Diğer taraftan, ülke ekonomisinde özellikle tarım sektöründe ciddi bir bunalım yaşanmakta olup, yüksek işsizlik oranları ve iş gücünün yüzde 42,86'sının hâlâ tarımda istihdam ediliyor olması (2022 verilerine göre) gibi çarpıcı eşitsizliklere rastlanmaktadır. Tüm bu iktisadi dinamiklere ek olarak, 2014 yılında gerçekleşen iktidar değişimi, iktidardaki partinin Hindu milliyetçisi geçmişi, Başbakan Narendra Modi'nin Hindu milliyetçisi söylemleri, Hindistan'ın 2010'lar sonrası dünyada yükselen demokratik gerileme ve/veya otoriterleşme tartışmaları bağlamında karşılaştırmalı çalışmaların araştırma ajandasına girmesine de neden oldu.

Bu konjonktürde, Hindistan'daki ekonomik ve politik dönüşüm, "piyasa ilişkilerini siyasi yapılar olarak anlayan" politik ekonomi araştırmacıları için de bir mıknatısa dönüştü (Clift, 2021, s. 4). Hindistan'ın son dönemdeki siyasi-ekonomik dönüşümleri literatürde, Hindistan'ın özgünlüğü bağlamında ya da karşılaştırmalı olarak farklı siyasi ekonomi perspektiflerinden incelenmiştir. Bu çalışmanın temel motivasyonu, "yeni Hindistan" üzerine yapılan bu güncel tartışmalarla ilişkilenmek, özellikle ülkenin bölgesel ve küresel iddiaları olan gelişmekte olan bir ekonomi olarak geçirdiği dönüşüm üzerine yapılan tartışmalara katkıda bulunmaktır. Bu tez, Hindistan'daki güncel dönüşümün sadece siyasi-ideolojik bir kayma ya da yalnızca ekonomik büyüme göstergelerine bağlı bir dönüşüm olmadığını; uluslararası ve ulusal politik ekonomi dinamiklerinin etkisinde çok yönlü ve çok ölçekli bir yeniden yapılanma süreci olduğunu göstermeyi amaçlamaktadır.

Eleştirel politik ekonomi perspektifinden bakıldığında, küresel kapitalizm, farklılaşmış birikim rejimleri ve kendine özgü tarihsel özelliklere sahip düzenleme biçimleriyle karakterize edilen toplumsal formasyonların tabakalı bir birliğinden oluşur. Kapitalist üretim ilişkilerinin doğasında bulunan çelişkili yapı sabit kalırken, toplumsal formasyonlar evrilir. Kendine özgü birikim rejimleri, dünya ekonomisinin ürettiği genel konjonktürün etkisi altında ulusal düzeyde şekillenir ve bu konjonktüre eklemlenir. Asya, Afrika ve Latin Amerika'daki, yani Küresel Güney'deki toplumsal formasyonların merkez kapitalist ülkelere "göreli" olarak kategorize edilmesinin nedeni, kapitalist üretim tarzı ve kapitalist devlet biçiminin belli zaman-mekânsal uzamdaki bu çeşitliliğidir.

Eleştirel politik ekonomi perspektifinden farklı toplumsal formasyonların ayrıntılı bir analizi için, ekonomik-sosyal alan ile siyasi-devlet alanı arasında bir bağlantı kurmak önemlidir. Bu bağlantı, devlet yapılarına özgü niteliklere ilişkin soruları ele alır (Poulantzas, 1980b, s. 602). Devletler ve piyasalar, herhangi bir toplumsal formasyonda hem ampirik hem de analitik olarak ilişkilidir ve birbirlerinden yalıtık düşünülemez (Clift, 2021, s. 151). Bu tezin ampirik bulguları, Hindistan devletine dair teori yüklü bir analizi zorunlu kılmıştır, bu nedenle de devletin ekonomiye müdahalesini anlamak için devletin biçim analizi yapılmıştır. Nicos Poulantzas ve düzenleme ekolünün eleştirel devlet teorisi çerçevesinde, belirli toplumsal formasyonları incelerken, özellikle belirli bir *devlet projesi* içinde devlet biçimi, zorunlu olarak belirlenmiş bir sonucu ima etmeksizin toplumsal güç ilişkileri arasındaki denge ve toplumsal sınıflar arasındaki mücadeleler etkisiyle biçimlenir.

Devlet projelerini analiz etmek, devletlere kesin bir işlevsel ya da araçsal rol yüklemez. Bunun yerine, analiz, dış (küresel konjonktür) ve iç dinamiklerin (üretim ilişkileri) yapılandırılması dikkate alınarak gerçekleştirilir.

Bu tez, devletin rolüne dair tek nedenli ve kısmi determinizmlerden uzaklaşarak, Hindistan devletinin güncel biçimini analiz etmeyi amaçlamış; devlet müdahalesinin gerekliliği veya derecesi, piyasa reformlarının başarısı veya başarısızlığı ya da devletin sermaye birikim sürecindeki "aktör" olarak kapasitesi gibi tartışmalara odaklanmaktan ziyade bağımsızlıktan günümüze Hindistan'daki devlet biçimini süreç izleme (*process tracing*) metoduyla analiz etmiştir. Hindistan'ın devlet oluşum süreci, 1980'lere kadar kalkınmacı devlet formu altında planlı ve ağır sanayileşme kalkınma hedefleriyle, Üçüncü dünya sanayileşme paradigması altında şekillenmiş, Hindistan Ulusal Kongresi'nin (Kongre) yönetimindeki kimi tarihçilerin Nehrucu Uzlaşı adını verdiği bu dönem 1980'lere kadar devam etmiştir. 1980'lerdeki ilk serbestleşme girişimleri ve devamındaki süreçte 1990'lardaki neoliberal politikalar ekseninde Hindistan devlet projesi neoliberal kalkınmacılık ekseninde yeniden yapılandırılmıştır. Bu dönem, sadece devletin ekonomiye müdahale biçimlerinin dönüştüğü bir dönem değil aynı zamanda Kongre'nin siyasi gücünün zayıfladığı ve ulusal düzeyde koalisyon siyasetinin yükseldiği, özellikle de bölgesel partilerin siyasi olarak güçlendiği bir dönem olmuştur (Crowley, 2014). 2010'larda ise Hindistan devletinin yeniden yapılandırılma süreci devam etmiş, bu kez neoliberal finansal küreselleşme sürecinin sonuçları ile ilişkili ancak bundan ibaret olmayan bir dönüşüm sürecine tanık olunmuştur. Ulusal düzeyde koalisyon siyaseti yerini korusa da farklı bir parti, Kongre'nin önemli bir siyasi rakibi olan Bharatiya Janata Partisi (BJP), 2010'larda iktidar partisi haline gelmiştir.

Tezin ampirik odağının esas olarak BJP'nin iktidar olduğu 2010'larda Hindistan devletindeki "kalkınma" paradigmasının dönüşümü olduğu vurgulanmalıdır. Hindistan devletinin kalkınma yönü, bağımsızlıktan günümüze kadar, gelişmiş kapitalizme göre göreceli ve gelişmekte olan demokratik bir toplumsal formun "kısmi" (kapitalist) doğası nedeniyle önemlidir. Diğer bir deyişle, Hindistan devletinin formu, sanayi kapitalizminin geç bir oyuncusu olarak toplumsal formasyonu nedeniyle, "yetişme" / "yakınsama" (çoğunlukla ekonomik göstergeleri ifade eden) parametrelerini önceliklendiren kalkınma hedefleri olmadan değerlendirilemez. Uluslararası konjonktür ve ulusal dinamiklerle birlikte, Hindistan'daki güncel devlet projesi, finansallaşmanın küresel bağlamı içinde dönüşmektedir. Bu çalışma, 2010'larda devlet-finans ekseninin dönüşümüne odaklanarak Hindistan'ın politik ekonomisi üzerine genişlemeye devam eden literatüre katkıda bulunmaktadır.

Hindistan ekonomik kalkınma sürecinde süreklilik, Hindistan'ın ekonomik seyrini etkilemeye devam eden kalıcı yapıları, politikaları ve tarihsel mirasları vurgular. Bu kalıcı unsurlar, geçmiş kararların ve çerçevelerin günümüz ekonomik yönetimini nasıl etkilediğini anlamak için bir referans noktası sağlar. Öte yandan, dönüşüm, özellikle küreselleşme, serbestleşme ve finansallaşma bağlamında, finans ile devlet arasındaki ilişkiyi yeniden tanımlayan değişiklikleri vurgular. Hem sürekliliği hem de dönüşümü inceleyen bu tezde Hindistan'ın ekonomik kalkınmasının, bağımsızlık sonrası devlet oluşumunun mirasıyla hızla değişen küresel finansal ortamın etkisini anlamaya yönelik kapsamlı bir perspektif sunulması amaçlanmaktadır. Bu ikili odaklanma, Hindistan'ın ekonomik seyrinin süreklilik ekseninde mi yoksa "yeni" paradigmalarına doğru bir sapma mı olduğunu derinlemesine araştırmaya olanak tanır. Böylece kalkınma, devlet ve finans üzerine Küresel Güney'deki tartışmalara yönelik önemli içgörüler sunulmaktadır.

Kısacası tezde, finansallaşma paradigması içinde Hindistan devletinin değişen biçimi eleştirel olarak analiz edilmiştir. Son yıllarda finansallaşma, küresel siyasi-ekonomik çerçeve içinde temel bir açıklama olarak önem kazandı. Finansallaşma çalışmaları içindeki devlet-finans ekseni ise hem teorik katkıların azlığı hem de sınırlı sayıda ampirik temelli vaka çalışmaları ile olsa da yeni bir alt araştırma gündemi oldu. Dolayısıyla, finansallaşmanın Hindistan'ın 2010'lardaki ekonomik dönüşümünü anlamak için neden uygun bir çerçeve olduğunu değerlendirmek, Hindistan bağlamında finansallaşmanın özgün yönlerini tanımlamak ve analiz etmek ve Hindistan devlet biçiminin kalkınmacı bir yapıdan finans odaklı bir yapıya dönüşümünü inceleyerek kalkınma ve kalkınma finansmanının yönetimindeki değişiklikleri araştırmak, bu araştırmanın başat araştırma gündemidir.

Merkez kapitalist ekonomilerde başlayan bir süreç olan finansallaşma, zamanla Küresel Güney'deki yükselen ve gelişmekte olan ekonomilere farklı mekanizmalar ve yollarla nüfuz etmiştir. Bu ülkelerde finansallaşma, ulusal ekonomik yapılar, siyasi dinamikler ve özgün tarihsel bağlamlar tarafından şekillenir. Örneğin, Güney Afrika'da finansallaşma sürecinde, finansal piyasalar giderek ekonomik karar alma süreçlerine egemen oldukça apartheid dönemi eşitsizliklerini pekiştirerek eşitsizlikleri artırmıştır (Karwowski, 2021). Brezilya, Arjantin ve Türkiye gibi ülkeler, sermaye ve döviz piyasalarının serbestleşmesi, yüksek faiz oranları ve uluslararası yatırımcıların döviz kuru hareketleri aracılığıyla finansallaşma deneyimlemekte olup, bu durum bu ülkelerde dış yatırımcı kaynaklı finansal kırılganlık olgusuna neden olmuştur (Kaltenbrunner & Painceira, 2015; Lampa et al., 2022; Akçay & Güngen, 2022). Doğu Asya, özellikle Güney Kore ve Malezya gibi ülkelerde, sermaye piyasalarının hızla genişlemesi yoluyla finansallaşma yaşanmıştır (Rethel, 2011). Tez, Hindistan'daki finansallaşmanın özelliğini, ülkedeki devlet-finans ekseninin özgül biçiminde sınırlamayı ve bunu yaparak Küresel Güney'de finansallaşmanın karşılaştırmalı analizine katkıda bulunmayı amaçlamıştır.

Akademik literatürde, Çin ile Hindistan'ı karşılaştırmak, bu ülkelerin pazar büyüklüğü, nüfusu ve son dönemdeki hızlı ekonomik büyüme eğilimleri açısından benzerliklerinden kaynaklanan önemli bir araştırma gündemidir. Her iki ülke de ekonomilerini serbestleştirip uluslararası yatırımlara açarken, bu iki ülkenin genelde toplumsal formasyonları özelde ise devlet biçimleri farklı tarihsel koşullarda biçimlenmiştir. Eski bir sömürge olarak bağımsızlığından bu yana Hindistan, demokratik bir siyasi rejim altında, ekonomiye devlet müdahalesinin yoğunluğundan ve etkisinden bağımsız kalkınmacı bir kapitalist devlet biçimine sahiptir. Bu nedenle de Hindistan'ın ekonomik kalkınma deneyimi, Çin'den ziyade Küresel Güney'deki geç kapitalist ülkelerin deneyimlerine benzemektedir.

Hindistan ekonomisinde ekonomik büyümeyi destekleyen en önemli dinamikler, finansal genişleme ve altyapı yatırımlarıdır. Kalkınma ve kalkınma finansmanı politikasının kurumsal yapılanması, 2010'lu yıllar boyunca Hindistan'da devletin yeniden yapılanması sürecinin merkezinde yer almıştır. Planlama Komisyonu'nun kaldırılmasının ardından onun yerine kurulan NITI Aayog'un kalkınma ajandası ve kalkınma politikalarının incelenmesi, kalkınma finansmanında Kamu-Özel

Ortaklıklarının yaygınlaşması ile yeni bir kalkınma bankası olarak kurulan Ulusal Altyapı ve Kalkınma Finansmanı Bankası'nın (NABFID) analizi kalkınmanın finansallaşması olgusunun Hindistan'da geçerliği olduğunu göstermektedir. Diğer bir deyişle, kalkınmanın kurumsal yeniden yapılanması ve kalkınma finansmanına dönük devlet müdahaleleri, yalnızca son hükümetlerin politika önceliklerinin ötesinde Hindistan devletinin finansallaşma çerçevesi içinde stratejik seçiciliklerini temsil etmektedir. 2010'larda devletin stratejik seçiciliği üç aksta özetlenebilir: Birincisi, finans odaklı birikimi destekleyen yüksek prestijli teknokratik bir düşünce kuruluşu olarak işlev gören NITI Aayog tarafından öne sürülen politika önerileri ve uygulamalar; ikincisi, özel sektör-kamu işbirliği ötesinde risksizleştirme (*derisking*) aracısı haline gelmiş finansal yatırım sözleşmeleri haline gelen Kamu-Özel Ortaklıkları; ve son olarak, yine risksizleştirme politikasını önceleyen yeni kalkınma bankası Ulusal Altyapı ve Kalkınma Finansmanı Bankası'nın (NABFID) kurulması.

Günümüz Hindistan politik ekonomisi bağlamında devletin ekonomiye müdahale araç setlerinin incelenmesi, devletin finansal belirlenmelerle yeniden yapılandırıldığını, yani Hindistan devletinin bir devlet projesi olarak yeni bir formda çerçevelendiğini göstermektedir. Daha önce de belirtildiği üzere, bağımsızlıktan bu yana ülkenin tarihsel seyrinde Hindistan devletinin formu, kalkınmacı bir devletten neoliberal kalkınmacı devlete dönüşmüştür. Devletin son formu ise neoliberal birikim rejiminden bir kopuş olmasa da finans odaklı stratejik seçiciliklerin belirlenimi altında devlet müdahalesinin başka bir formu olduğunu göstermektedir. Bu kapsamda, bu çalışmanın başlıca araştırma soruları şu şekildedir:

- Hindistan'ın 2010'lardaki dönüşümünü anlamak için neden finansallaşma kullanılmalıdır?
- Hindistan'ın finansallaşmasının kendine özgü yönleri nelerdir?
- Merkezî Hindistan devletinin kalkınmacı bir yapıdan finans odaklı bir yapıya dönüşümü nasıl gerçekleşmiştir?
- Hindistan'da kalkınma finansmanının formu nasıl değişmiştir?
- Tüm bu dönüşümler, Hindistan devletinin biçiminde nasıl bir değişikliğe neden olmuştur?

Bu araştırma sorularını yanıtlamak için tezin bölümleri aşağıdaki gibi sıralanmıştır.

İkinci bölüm, Bağımsız Hindistan devletinin kalkınmacı bir devlet olarak oluşumunun tarihsel bir yorumunu sunmakta ve neoliberal kalkınmacı bir devlete dönüşümünü araştırmaktadır. Sömürgecilik dönemi bakiyesi olan ekonomik problemlerin bir nevi ters yüz edilmesine dönük kalkınmacı devletin stratejik seçiciliklerinin merkezinde ithal ikameci ağır sanayileşme ve merkezî planlama bulunmaktadır. Bu dönemde tarımda modernleşme gibi meseleler de sanayi politikasının yanında beş yıllık kalkınma planlarının ve uygulamalarının merkezinde yer almıştır. Hindistan'ın ithal ikameci sanayileşme deneyiminin özgünlüğü, tüketim mallarından ziyade ağır sanayi kollarının gelişmesine verdiği önceliğin yanı sıra, kimi iktisatçıların "ihracat kötümserliği" de dediği, iç piyasalarını uluslararası ticarete karşı korunmasıdır. Gerek büyüme oranları gerek sanayi altyapısının oluşumu gerekse de üretim tarzı ve devletin niteliği başlıklarında bu dönemin ne ölçüde başarılı olduğu, literatürün en çok ele aldığı konular arasındadır. Tezde, bu dönemin "demokratik kalkınmacı devlet formu" olarak ifade edilmesi hem dönemin stratejik seçicilikleri hem de politikayı önceliklendiren teorik bakış açısı nedeniyle tercih edilmiştir. Hindistan'ın devlet oluşum sürecine de rengini veren planlı kalkınma süreci, ülkenin özellikle 1970'li yıllarda başlayan siyasi ve ekonomik sorunları, petrol krizlerinden bir petrol ithalatçısı olarak etkilenmesi, ağır sanayileşmenin yarattığı sınırlı istihdam, tarımda yaşanan yağış ve kuraklık eksenli sorunlar, iç piyasada talep kaynaklı sorunlar gibi birçok başlıkta sekteye uğramıştır. Tarımda dönüşüm ve IMF'den alınan dış borçlarla aksayan yönleri kapatılmaya çalışılan bu model, neoliberal eleştirinin hedefi haline gelmiştir. Bunu takiben, neoliberal kalkınmacı devlete geçiş Hindistan'da diğer gelişmekte olan ülkelerden farklı olarak darbe, rejim değişikliği vb. gibi bir şok terapisi yaşamamıştır. Bunun yerine, yine Kongre Partisi liderliğinde 1991 yılında gerçekleşen Ödemeler Dengesi Krizi'nin kaçınılmaz sonucu olduğu söylenen, sanayi lisanslarının kaldırılması ve uluslararası ticaretin serbestleştirilmesi gibi bir dizi politika değişimini içeren kademeli bir geçiş deneyimlenmiştir. Hindistan'da "serbestleşme", "özelleştirme", "küreselleşme politikaları" gibi bir dizi başlık altında tartışılan bu neoliberal geçiş döneminde kalkınmacı devlet formundan en önemli fark, ülkedeki kamu yatırımlarının azalması ve buna karşılık uluslararası ve özel yatırımların artmasıdır.

Bu dönemin devletin geri çekildiği değil, devletin ekonomiye müdahale biçimlerinin dönüştüğü bir dönem olduğunu hatırlatmak önemlidir. Kalkınmacı devlet formunun kalkınma finansmanı anlamında en önemli aracısı olan Kalkınma Bankaları bu dönemde işlevsizleşmiş, merkez bankasının önerisiyle banka ya da banka olmayan finans kuruluşlarına dönüştürülmüşlerdir. 2000'lerin başındaki Birleşik İlerici İttifak deneyimi ile Gujarat eyaletindeki Narendra Modi yönetimindeki Gujarat modeli farklılaşan neoliberal ekonomi modelleri olsalar da piyasa yanlısı yeniden yapılanma sürecinin farklı varyantları olmuşlardır. 2010'lu yıllarda Hindistan'da devlet formu piyasa yanlılığı ile neoliberal formu korusa da finansallaşma paradigması ekseninde finansal sermaye birikimini önceleyen bir biçime kavuşmuştur.

Kısacası, bu bölüm, Hindistan'ın 1947'den 2010'lara kadar olan siyasi ve ekonomik çerçevesini ele alarak, Hindistan devletinin demokratik kalkınmacı bir devletten neoliberal bir devlete geçiş sürecinin nasıl gerçekleştiğini ortaya koymuştur. Hem uluslararası bağlam hem de Hindistan'ın toplumsal formasyonu tarafından şekillendirilen devlet biçimlerindeki bu dönüşümün incelenmesinde, devletin stratejik seçiciliği özel olarak vurgulanmıştır. Bağımsızlık sonrası döneme özgü olan demokratik kalkınmacı devlet, devlet öncülüğünde ekonomik planlamaya, kamu sektörünün önemli ölçüde katılımına, sanayileşme ve kendine yeterliliği teşvik etmeyi amaçlayan korumacı politikalara odaklanmıştır. Bu yaklaşım, küresel dekolonizasyon dalgası ve hâkim Keynesyen ekonomik uzlaşıdan etkilenmiştir. Ancak, 1980'lerde başlayan ve 1990'larda hız kazanan bir süreçle Hindistan, neoliberal bir kalkınma modeline geçmiştir. Bu geçiş, ekonomik serbestleşme, deregülasyon ve piyasa mekanizmalarına daha fazla vurgu yapılmasıyla karakterize edilmiştir. Bu değişim, sadece iç ekonomik krizlere ve verimsizliklere bir yanıt olarak değil, aynı zamanda neoliberal küreselleşmenin yükselişi ve IMF ile Dünya Bankası gibi uluslararası finansal kuruluşların reçeteleriyle uyumlu bir şekilde gerçekleşmiştir. Dolayısıyla, devletin bu ekonomik modelleri benimseme konusundaki stratejik seçiciliği hem ülke içindeki sınıfsal güç dengelerinin hem de küresel ekonomik eğilimlerin bir ürünü olup, Hindistan'ın kalkınma sürecini şekillendiren iç ve dış dinamikler arasındaki karmaşık bir etkileşimi yansıtmaktadır. Bu eksende Vivek Chibber'in Hindistan'ın kalkınma seyrini analiz ederken ileri sürdüğü argüman oldukça anlamlıdır:

> … piyasa serbestleşmesinin daha az düzenlemeye değil, aksine, öncekinden daha yoğun olabilen farklı bir düzenleme rejimine yol açmasını beklemek için iyi bir neden vardır… Devlet öncülüğündeki kalkınma stratejisinden uzaklaşmak devletin rolünü değiştirecek, onu ortadan kaldırmayacaktır; bu yeni rol için gerekli kurumsal kapasitenin gerçekten ortaya çıkıp çıkmayacağı her zaman olduğu gibi siyasete bağlıdır. (Chibber, 2006, s. 243)

Üçüncü bölüm ise Hindistan devletinin mevcut formunun tartışılmasına zemin hazırlayan bir ara bölüm olarak tasarlanmıştır. Bu bölüm, Hindistan'da finansallaşmayı, Hindistan kapitalizminin kendine özgü seyrini güçlendiren makro çerçeve ekseninde tartışmaktadır. Hindistan'daki finansal sistemi analiz eden ve 2010'lardaki devlet-finans ekseninin dönüşümünü ayrıntılandıran bölümde, sermaye hareketlerinin serbestleştirilmesi süreci, finansal sistemdeki banka dışı finansal kurumların (gölge bankacılık) belirleyici rolü, finansal içerilme ajandası gibi finansallaşma sürecinin Hindistan'da kendine özgü dinamikleriyle tartışılmıştır. Sermaye hareketlerinin kademeli serbestleşmesi, buna karşılık finansal içerilme politikalarının baskıcı yönü ve gölge bankacılık faaliyetlerinin endişe verici yükselişi neticesinde ortaya çıkan IL&FS Krizi, finansallaşmanın Hindistan'da devam eden bir süreç olarak piyasa temelli finansa geçişin belirleyenleri olarak analiz edilmiştir.

Finansallaşma, "farklı ekonomik sektörler ve ülkelerde farklı şekillerde ortaya çıkan çok yönlü bir süreçtir" (Karwowski vd., 2019, s. 10). Hindistan'ın finansal serbestleşme, finansal küreselleşme deneyimi ve Hindistan devletinin finansal sektörün düzenlenmesi konusundaki stratejik seçicilikleri, çeşitli mekanizmalar aracılığıyla piyasa temelli finansa doğru istikrarlı bir geçişi işaret etmektedir. Hindistan'daki finansallaşmanın incelenmesi, ekonomik, siyasi ve sosyal boyutların iç içe geçtiği karmaşık bir süreçtir. Bu bölüm, Hindistan'daki finansallaşmanın çok yönlü doğasını ele almakta ve neoliberal kalkınmacı devlet bağlamında önemli gelişmelere ve kendine özgü yönlere vurgu yapmaktadır. Dolayısıyla finansal sistemin doğası, devlet müdahaleleri ve finansallaşmanın Hindistan ekonomisi üzerindeki daha geniş etkileri gibi bir dizi önemli alanı vurgulamaktadır. Finansal serbestleşme ve küreselleşme, Hindistan'daki finansal kurumların rol ve faaliyetlerini önemli ölçüde dönüştürmüştür. Bankalar, bankacılık dışı faaliyetlerini genişletirken, banka dışı finansal kurumlar da bankacılık işlevlerini üstlenmeye başlamıştır. Bu değişiklikler, esas olarak uluslararası finansal piyasalara entegrasyon ve finansal küreselleşme stratejilerinin benimsenmesiyle ilişkilidir.

Bu süreçte, devletin rolü, tasarrufları kamu ve özel yatırımlara yönlendirmekten, serbestleşme ve küreselleşme nedeniyle daha karmaşık finansal meselelere dâhil olmaya doğru kaymıştır. Hindistan'daki devlet-finans ekseni, devlet müdahaleleri ile finansal piyasa dinamikleri arasındaki karmaşık bir etkileşimi ortaya koymaktadır. Devletin rolü, yatırımları finanse etmek için tasarrufları yönlendirmeye odaklanan kalkınmacı devlet modelinden, daha serbestleşmiş ve küreselleşmiş bir finansal sistemi regüle etmeye ve bu sürecin bir parçası olmaya evrilmiştir. Bu dinamikleri anlamak, finansallaşmanın Hindistan ekonomisi üzerindeki daha geniş etkilerini değerlendirmek için hayati önem taşımaktadır.

Dördüncü bölüm, devletin stratejik seçiciliklerinin değişmesiyle kalkınmacı devlet projesinin nasıl dönüştüğünü araştırmaktadır. Bu, kalkınmanın siyasi/kurumsal paradigmasındaki ve kalkınma finansmanındaki, yani kalkınmanın finansal yapısındaki değişimi içeren kurumsal yapıyı kapsamaktadır. Kalkınma politikalarında eşit bir oyun alanı oluşturmak amacıyla Planlama Komisyonu'nun kaldırılması ve NITI Aayog'un kurulması bir dönüm noktasıdır. NITI Aayog'un kalkınma gündemi, kamu varlıklarının parasallaştırılmasındaki (*asset monetization*) rolü ve Kamu Özel Ortaklıkları'nın değerlendirme sürecinin parçası olması NITI Aayog'un yalnızca kalkınma politikalarını belirleyen değil aynı zamanda uygulayan da bir kurum olarak değerlendirilmesini zorunlu kılmaktadır. Hindistan'da kalkınma finansmanının finansallaşma ekseninde niteliksel dönüşümü hem altyapı yatırımlarının finansman biçimi hem de finansman kaynağının kamu ve özel ayrımını iyice belirsizleştiren bir eksende gerçekleştiği ortaya konmuştur.

Kalkınmacı devlet formundaki merkezi planlamanın önemi, neoliberal kalkınmacılık çağıyla birlikte ivme kaybetmiştir; ancak Planlama Komisyonu, 2015 yılına kadar varlığını sürdürmüştür. 64 yıllık en yüksek politika yapıcı örgüt olan Planlama Komisyonu'nun kaldırılması ve NITI Aayog'un kurulması, devlet projesinin stratejik seçiciliklerindeki dönüşümü temsil etmektedir; çünkü NITI Aayog, 2010'larda "ulusal kalkınma önceliklerinin, sektörlerinin ve stratejilerinin ortak bir vizyonu"nun yeni bir formülasyonunu temsil etmektedir. Kalkınma öncelikleri ve stratejilerindeki değişen model, kalkınma finansmanının yönetimi ve uygulanmasına da yansımıştır. Kamu-Özel Ortaklığı projelerinin hız kazanması ve altyapı yatırımlarındaki finansman düzenlemelerindeki değişiklikler, devletin yeniden yapılandırılması ile paralel ilerlemiştir. Merkezî Hindistan devletinin yönetişim yapısının yakın zamanda kalkınmacı bir yapıdan finans odaklı bir yapıya nasıl dönüştüğünü anlamak ve bununla bağlantılı olarak kalkınma finansmanının formunun nasıl değiştiğini araştırmak, Hindistan devletinin 2010'lardaki dönüşümünü açıklamada önemlidir.

NITI Aayog'un kurulmasıyla birlikte, kalkınma gündemi ve politikalar, finansal piyasalar ve yatırımcılara yönelmiştir. NITI Aayog, varlıkların parasallaştırılması (*asset monetization*) programı altında kamu sektörünün finansallaşmasını teşvik etmiş ve Kamu-Özel Ortaklıklarının yaygınlaşması sürecine de katkıda bulunmuştur. Diğer yandan, 1990'lardaki finansal sektör reformları, birçok geleneksel kalkınma finansmanı kuruluşunun ticari bankalara veya banka olmayan finansal kuruluşlara dönüştürülmesine veya tasfiye edilmesine yol açmıştır. Ancak, 2010'larda kamu bankalarında ve banka olmayan finansal kuruluşlarda sorunlu krediler sorunu ortaya çıkmıştır. Bu zorluklar karşısında, büyük altyapı projelerini finanse etmek ve uygulamak için Kamu Özel Ortaklıklarına yönelinmiştir. Dahası, 2021'de Hindistan'da yeni bir kalkınma finansmanı aygıtı kurulmuştur. Bu bankanın geleneksel kalkınma bankalarından en önemli farkı, uzun vadeli krediler sunan yenilikçi finansal araçlar yaratma konusundaki motivasyonudur. Başka bir deyişle, banka, paydaşlarının proje geliştirme ve yönetim kapasitesini artırma doğrultusunda finansal araçları öncelemektedir. Devlet, 2010'lu yıllarda kalkınma finansmanında özel sektör katılımını teşvik eden ve finansal piyasaları harekete geçiren bir yaklaşımı benimsemiştir.

Son birkaç on yıl içerisinde Hindistan'da kalkınma finansmanının dönüşümü, piyasa temelli finansa yönelik önemli bir kayma ile karakterize edilmiştir. Hindistan piyasa temelli finansa geçerken, devletin kendisi de önemli bir yeniden yapılandırma geçirdi. Devlet, finansal piyasaların büyümesini teşvik eden, özel yatırımı çekmek için sektörleri serbestleştiren ve bu yeni piyasa odaklı yaklaşımı desteklemek için kurumlar ve çerçeveler kuran politikalar uygulamaya başladı. Bu dönüşüm, yalnızca devletin ekonomik faaliyetlere katılımını yeniden tanımlamakla kalmadı, aynı zamanda piyasa operasyonları için elverişli bir ortam yaratmaya daha fazla vurgu yaparak yönetişim yapılarını da değiştirdi. Devletin yeniden yapılandırılması, kendisini finansallaşmış bir ekonominin gerekliliklerine uyumlu hale getirmede, küresel ve yerel sermaye piyasalarının baskıları ve fırsatları karşısında uyum sağlamakta kritik bir rol oynamıştır. Bu süreç, devlet ile finansal piyasalar arasındaki daha karmaşık ve iç içe geçmiş bir ilişkiye yol açmış, devletin bu yeni finansal manzarada piyasa temelli finansın risklerini "yönetmede" kritik bir rol oynadığı bir duruma gelmiştir.

Finansallaşma literatüründe, devletin finansallaşması çeşitli parametrelerle ele alınmaktadır. Günümüzde finansın piyasa aktörleri, hane halkları ve hükümetlerle olan karmaşık dinamikleri sayesinde, finans ve devletin yeniden düşünülmesi, kamu finansmanının sınırlarını aşmaktadır. Buradaki argüman, "devletin finansallaşması" ile "devlet tarafından finansallaşmanın" ayrı süreçler olmadığıdır; hatta bu süreçlerin ampirik mekanizmalarını analiz ederken analitik olarak da ayrılamazlar (Schwan vd., 2020). Bu nedenle, 2010'larda Hindistan'da neoliberal kalkınmacı devletin "finansallaşmış" bir devlete dönüşümünü göstermek için, finans yörüngesinde devlet (*finance-diverted state*) kavramını kullanmak hem devlet formundaki sürekliliği hem de dönüşümü göstermek için işlevseldir. Kalkınma çerçevesinde, devletin finansallaşması, kalkınmanın direksiyonunu kırar ve finansın egemen olduğu bir müdahaleler zincirinin açığa çıkmasına neden olur. Kabaca ifade etmek gerekirse, finansın artık kalkınmacı devlet formunda olduğu gibi sanayileşme ve planlı kalkınmanın bir aracısı olması ya da neoliberal kalkınmacı devlet formunda olduğu gibi yatırım ve tüketim artırıcı bir aracı olması beklentisi, yerini finansal yatırımların ve piyasaların kendisinin bir kalkınma paradigmasına dönüşmesine bırakır.

Finans yörüngesinde devlet, politika oluşturma ve yönetişim süreçlerinde finansal hedefleri ve mekanizmaları önceliklendirir. Hindistan'da, bu değişim, politikaların giderek daha fazla özel yatırımı çekmeye ve kolaylaştırmaya yönelik tasarlandığını, genellikle daha geniş sosyo-ekonomik hedefler yerine finansal getirilerin önceliklendirildiğini ve düzenleyici ortamın, finansal piyasalar ve kurumlar için elverişli bir atmosfer yaratmaya yönelik olduğunu, kamu hizmetleri ve altyapı geliştirme süreçlerinin ise büyük ölçüde finansallaşmış mekanizmalara dayandığını açıkça göstermektedir. Hindistan'da devletin finansallaşması, ülkenin siyasi ekonomisinde niteliksel bir dönüşümü temsil etmektedir. i) Planlama Komisyonu'nun NITI Aayog'a geçişi, ii) geleneksel Kalkınma Finans Kurumları'ndan Kamu-Özel Ortaklıklarına geçiş ve kalkınma finansmanı aygıtı olarak Ulusal Altyapı ve Kalkınma Finansmanı Bankası'nın (NaBFID) kurulması, bu süreçte devletin formunun, rollerinin, işlevlerinin ve önceliklerinin yeniden şekillendiğinin birer göstergesidir.

Kısaca, devletin finansallaşması (*financialization of the state*) ve devlet tarafından finansallaşma (*financialization by the state),* devlet politikalarının formülasyonunda ve uygulanmasında finansal piyasaların, finansal hedeflerin ve finansal aktörlerin artan etkisini ve bunlara olan bağımlılığı, ayrıca bu parametrelerle devletin yeniden yapılandırılmasını ifade eder. Hindistan bağlamında, bu olgu, devlet kurumlarının rollerini ve işlevlerini piyasa tabanlı finans (*market based finance*) ekseninde dönüştürmüştür.

Tez, süreç izleme odaklı nitel bir araştırma olmakla birlikte, Hindistan'da saha yaptığım süreç boyunca yaptığım gözlemler, tartışmalar ve tanışıklıklar, tezin çerçevesini önemli ölçüde şekillendirdi. Delhi'deki Uluslararası Kalkınma Ekonomistleri Birliği (IDEAs), Jawaharlal Nehru Üniversitesi Sosyal Bilimler Fakültesine bağlı Ekonomik Çalışmalar ve Planlama Merkezi (CESP), Delhi Ekonomi Okulu ve Bengaluru'daki Azim Premji Üniversitesindeki araştırmacılarla yaptığım bireysel konuşmalar, atölye çalışmaları ve konferanslardan öğrendiklerim için minnettarım. Farklı alanlardan uzmanlar ve çeşitli perspektiflerden gelen katkılar, bu araştırmanın çerçevesini zenginleştirdi. Mumbai'den Bengaluru'ya, Bengaluru'dan Delhi'ye ve Delhi'den Jaipur'a yaptığım seyahatler sırasında, özellikle yol ve havaalanları gibi altyapı yatırımlarını gözlemleme fırsatım oldu. Birinci elden bilgiye ek olarak, ilgili kurumlardan elde edilen hükümet raporları, meclis tutanakları, kurum açıklamaları ve resmi veriler de araştırmada kullanılmıştır.

Tez, kapsamını, merkezî Hindistan devletinin kalkınmacı bir yapıdan finans odaklı bir yapıya nasıl kaydığına dair soruları ele almakla sınırlamaktadır. "Neden" sorusu, toplumsal güçlerin ayrıntılı bir analizini dikkate alan farklı bir soyutlama düzeyi gerektirir. Bunun yerine, tez, finansal zorunluluklar bağlamında hem devlet müdahalesinin ölçeğinin hem de yöntemlerinin dönüşümünü ve bunların kalkınma hedefleri üzerindeki etkisini incelemektedir. Tezin ana odağı, 2010'lardaki Hindistan devletinin formundaki dönüşümü analiz etmek olmasına rağmen, bu odak başka bir amaca da hizmet etmektedir. Özellikle bu tez, devletin basit bir şekilde her şeyin iyi ya da kötü açıklaması olmak yerine, onun kendisinin ayrıntılı bir değerlendirme gerektiren karmaşık bir olgu olarak açıklanması gerektiğine dair teori yüklü katkılar için bir katalizör olarak işlev görmeyi amaçlamaktadır.

Hindistan siyasi ekonomisinin geçtiğimiz birkaç on yıldaki dönüşümü, devlet ile finans arasındaki ilişkiyi derinden değiştirmiş ve bu evrimin doğası ve yönü hakkında önemli soruları gündeme getirmiştir. Bu tez, finansallaşma dinamiklerini ve Hindistan'ın ekonomik kalkınması üzerindeki etkilerini araştırarak, bu değişimlerin devletin hem ekonomik yönetişimdeki hem de kalkınma finansmanındaki rolünü nasıl yeniden tanımladığını inceliyor. Bu değişiklikleri anlamak, siyasal ekonomi ve kalkınma çalışmaları alanındaki akademisyenler için kritik öneme sahiptir, çünkü bu değişiklikler, gelişmekte olan ülkelerin ekonomik dönüşüm süreçlerine dair önemli içgörüler sunmaktadır. Hindistan'ın finansallaşmasının özgün yönlerini ve kalkınmacı devletten neoliberal finans odaklı devlete geçişini inceleyerek bu araştırma, finans, devlet ve ekonomik kalkınmanın kesişimlerine dair süregelen tartışmalara katkıda bulunmakta ve bu dönüşümlerin Hindistan'ın çağdaş ekonomik manzarasını şekillendirmedeki önemini vurgulamaktadır.

Hindistan'daki finansallaşmanın piyasa tabanlı finansa geçişi önceliklendirilmesi ile devlet müdahalesi ekonomik kalkınmayı doğrudan yönetmekten finansal piyasaların karmaşık dinamiklerini yönetmeye doğru evrilmiş ve banka rekapitalizasyonu ve varlık yeniden yapılandırması gibi mekanizmalar aracılığıyla finansal riskleri önlemede devlet müdahalesi kritik bir rol oynamıştır. Devletin değişen rolü ve finansallaşma süreci, Hindistan'da yeni bir devlet-finans ekseni yaratarak, ekonomik kalkınma için önemli sonuçlar doğurmuştur.

Ekonomik kalkınma ve devletin dönüşümü üzerine geniş bir literatür olmasına rağmen, Hindistan'daki finansallaşma süreçlerini, özellikle de 2010'lar boyunca yaşanan dönüşümü anlamaya yönelik çalışmaların sayısı oldukça sınırlıdır. Mevcut çalışmalar, finansallaşmanın devlet işlevlerini ve kalkınma politikalarını nasıl etkilediğine dair incelikli yolları, özellikle Hindistan bağlamında, genellikle göz ardı etmiştir. Bu araştırma, belirli bir coğrafi ve zamansal bağlama -2010'ar Hindistan'ına- odaklanarak, Hindistan'ın finansallaşmasının özgün yönlerini detaylı bir şekilde keşfetmekte ve bu değişimlerin devletin ekonomik kalkınmadaki rolünü nasıl yeniden şekillendirdiğine dair yeni bir perspektif sunmaktadır. Çalışmanın bulguları, küresel finansallaşma üzerine süregelen tartışmalara katkıda bulunmakta ve bu alanlarda özgün ve yeni bir katkı sunmaktadır. Bu bakımdan çalışma, yalnızca literatürdeki kritik bir boşluğu doldurmakla kalmaz, aynı zamanda yükselen bir ekonomide finans ile devlet arasındaki karmaşık ve dinamik ilişkiyi anlama yetimizi de geliştirir.

Hindistan devletinde yakın zamandaki yaşanan dönüşümleri etkili bir şekilde çerçevelemek için, bu dönüşümlerin arka planını oluşturan devletin çeşitli formlarının tarihsel bir analizinin yapılması gereklidir. Devlet formlarının farklı aşamalar boyunca geçirdiği evrimi anlamak, özellikle devlet ve finans bağlamında çağdaş değişiklikleri analiz etmek için gerekli bir altyapı sağlar. Devletin finansal stratejileri ve yapıları, süreklilik-değişim perspektifiyle incelenerek, mevcut formunu şekillendiren temel kalıplar ve kırılmalar anlaşılabilir. Bu yaklaşım, görünüşteki dönüşümlere rağmen devam eden süreklilik unsurlarını belirlememizi sağladığı gibi, önceki devlet uygulamalarından bir sapmayı işaret eden önemli değişiklikleri de ortaya koyar. Bu tür bir analiz, devletin finansallaşma bağlamında yeni ekonomik zorunluluklara nasıl uyum sağladığını kavramak için hayati öneme sahiptir ve devlet, finans ve ekonomik kalkınma arasındaki ilişkiyi tam anlamıyla anlamak için hem tarihsel sürekliliğin hem de değişimin dikkate alınmasının önemini vurgular. Bu analiz, Hindistan devletinin finansallaşma odaklı dönüşümünü anlamak ve bu dönüşümün devletin, finansın ve ekonomik kalkınmanın ilişkileri üzerindeki etkilerini kavramak için gerekli bir temel sağlar.

Bu çalışma, Hindistan devletinin, özellikle kalkınmacı bir yapıdan giderek daha fazla finans odaklı bir yapıya doğru geçişine odaklanarak, derin dönüşümünü izledi. Ekonomik politikalardaki, kurumsal çerçevelerdeki ve devletin stratejik seçiciliklerinde finansın rolündeki değişiklikleri inceleyerek bu araştırma, devletin küresel ve yerel baskılara yanıt olarak evrim geçiren yapısının kapsamlı bir anlayışını sunmaktadır. Bu çalışmada, Hindistan devletinin finansallaşma merceğinden evrimini araştırdım ve onu kalkınmacı devletten neoliberalizmin dinamiklerine derinden gömülü ve nihayetinde finans odaklı bir devlete dönüşümünü izledim. Çalışmanın da gösterdiği gibi bu dönüşüm, yalnızca ekonomik politikalardaki bir değişim olarak görülemez. Aynı zamanda devletin formunun ve işlevlerinin temel bir yeniden yapılandırmasını da ifade eden bu dönüşüm, Hindistan'ın sosyo-ekonomik manzarası üzerinde derin etkiler yaratmıştır.

Finansallaşma, neoliberalizmin daha geniş çerçevesi içinde bir dönem olarak anlaşılır ve finansal piyasalar, araçlar ve kurumlar üzerinde yoğunlaşan bir odaklanma ile karakterize edilir. Hindistan'da finansallaşma, neoliberal yönelimi derinleştirerek, devletin ekonomik yönetimdeki rolünü önemli ölçüde değiştirmiştir. Çalışma, finansallaşmanın çeşitli toplumsal formasyonlar arasında farklılık gösterebileceğini kabul ederken, devlet yapıları ve politikaları üzerindeki etkisinin derin olduğunu ve belirli politika uygulamalarında ayrıntılı bir araştırmayı gerektirdiğini kabul etmektedir. Finansallaşmayı neoliberalizmin daha geniş yönelimi içinde konumlandıran çalışma, onu piyasa odaklı reformları yoğunlaştıran ve derinleştiren belirgin bir dönem olarak ele almaktadır. Finansallaşma, yalnızca bir aşama değil, devletin maddesini yeniden yapılandıran, stratejik seçiciliklerini ve kurumsal projelerini etkileyen bir süreçtir. Hindistan bağlamında, bu süreç, serbestleşme, liberalleşme ve altyapı ile finans odaklı büyümeye artan bir vurguya yönelik önemli politika değişiklikleri ile işaretlenmiştir.

Sanayileşmeden, finansal piyasalar aracılığıyla yönlendirilen altyapı odaklı büyümeye geçiş, devletin ekonomik kalkınmadaki rolünün nasıl yeniden tanımlandığını göstermektedir. Bu türden bir büyüme modelinde devletin müdahaleleri, artık belirli endüstrileri düzenlemeye veya desteklemeye yönelik değildir; bunun yerine, bu müdahaleler, giderek daha fazla finansal akışları ve piyasa odaklı büyümeyi kolaylaştırmaya yönelmiştir. Çağdaş dönemde, Hindistan devleti, finans odaklı bir devlet olarak adlandırılabilecek bir yapıya evrilmiştir. Bu devlet formu, finansal akışları, altyapı geliştirmeyi ve finans odaklı politikaları geleneksel sanayi ve kalkınma hedefleri üzerinde önceliklendiren bir yapıyla tanımlanmaktadır. Kamu ve özel sektörler arasındaki farkların belirsizleşmesi, özellikle kamu ve özel bankacılık arasındaki artan örtüşme, finansallaşmanın devletin yönetişim yapıları içinde derin bir şekilde kök saldığını yansıtmaktadır.

Risksizleştirme, genellikle yalnızca iş dostu bir strateji olarak algılansa da özel yatırımı kolaylaştırmanın ötesine geçer; devletin formunda temel bir değişimi yansıtır. Finansallaşma bağlamında düşünüldüğünde risksizleştirme, devletin giderek özel sermayeyi potansiyel kayıplardan yalıtma rolünü üstlenmesi, bu riskleri etkin bir şekilde özel sektörden kamu alanına aktarması anlamına gelir. Bu kayma, devletin ekonomik yönetişime yaklaşımındaki bir dönüşüme de işaret eder: burada odak, kamu refahını hedefleyen kalkınmacı müdahalelerden finansal özel sermaye birikimi için elverişli bir ortam yaratmaya kaymaktadır. Bu süreçte, devlet, finansal piyasaların kolaylaştırıcısı ve garantörü haline gelir ve devletin daha geniş neoliberal çerçeve içindeki yönelimleri ve öncelikleri konusunda daha derin bir değişimi vurgular.

Hindistan'ın ekonomik kalkınma sürecinde, devlet ile finans arasındaki ilişki önemli değişimler ve dönüşümler geçirmiştir. Kalkınmacı devlet döneminde finans, sanayileşme için bir araç olarak hizmet etmiş ve devlet, bu kalkınma rotasına uygun olarak finansı düzenlemiştir. Ancak neoliberal dönüşümle birlikte finans, sanayi politikalarından ayrılmıştır. Bu tez, geleneksel kalkınma bankalarının ticari bankalara ve banka dışı finansal kurumlara dönüşümünü ve Hindistan'ın finansal sistemini kamu bankacılığı merkezli, banka temelli bir sistemden piyasa temelli bir sisteme kaydırmaya yönelik müdahaleleri inceleyerek bu süreci göstermektedir.

Bu çalışmanın bulguları ve tartışmaları, devletin mevcut yapılandırmasında kalkınma politikalarına, örneğin sanayi politikalarına kurumsal olarak geri dönmesinin mümkün olup olmadığı gibi önemli soruları da gündeme getirmektedir. Yeniden kurulan Kalkınma Bankaları, finansallaşma paradigması altında kalkınma amaçları için kullanılabilir mi? Hindistan'da, özellikle RBI politikaları altında kontrollü serbestleşme, piyasa temelli finansallaşmanın gerçekleşmediği anlamına mı gelmektedir? Tez, somut politikaların herhangi bir teorik çerçeve için temel olduğunu göstererek, somut politikaların sıklıkla teoriden önce geldiğini vurgulamıştır. Hindistan'da mevcut siyasal ekonomi literatürü, yalnızca devletin finansallaşmasından değil, aynı zamanda daha geniş finansallaşma literatüründen de oldukça uzak kalmaktadır.

Hindistan'da kalkınmacı devlet formu, özellikle "Hindu büyüme oranı" gibi olumsuz anlamlar taşıyan terimlerle tanımlanan, geride kalmış bir paradigma olarak görünmektedir. Bir zamanlar Hindistan'ı diğer gelişmekte olan ülkelerin, özellikle Doğu Asya'daki muadillerinin kalkınma deneyimlerinden ayıran yabancı yatırım eksikliği ve ticaret kötümserliği, 1980'lerde başlayan kademeli liberalleşme ile değişmeye başlamıştır. Hindistan'ın ekonomik büyüme modeli, neoliberal finansallaşmanın temel kodlarını taşımakta, ancak hem zamansal olarak hem de politika reçeteleri açısından toplumsal formasyonu ve ilişkili siyasal, ekonomik ve toplumsal belirlenimleri altında şekillenmektedir. Başka bir deyişle, Hindistan'daki finansallaşma, diğer gelişmekte olan ülkelerden farklı olarak, dış şoklar nedeniyle bir finansal kriz yaşamamış olması gerçeğiyle de dikkat çeken, iç dinamiklerin belirlenimi altında bir finansallaşmadır. Ancak, üstte belirtildiği gibi Hindistan'da kalkınma finansmanı ve politikalarının Daniela Gabor'un "Wall Street Konsensüsü" ya da risksizleştirme olarak tanımladığı bir forma bürünmesi, kalkınmanın finansallaşması olgusunun mevcut oluşunu göstermektedir. Hindistan'daki devlet formu 2010'lu yıllarda ülkeye özgü parametrelerle şekillenmiş bir "finans yörüngesinde devlet projesine" dönüşmüştür.

Elbette, devlet formu analizi yalnızca ekonomik müdahale biçimiyle ilgili değildir; aynı zamanda bu formun şekillendiği toplumsal güçler arasındaki güç mücadelesinin bir tartışmasını da içerir. Bu projelerin başarısı ya da başarısızlığı ikincil bir öneme sahiptir. Hindistan'daki iktidar bloku ve bu blokun karakteristiği özellikle otoriterlik tartışması bağlamında tezin kapsamı dışında kalmaktadır. Ancak eleştirel devlet teorisini izleyerek, devletin ekonomiye müdahale biçimlerine değinmeden siyasi formlar hakkında bir tartışma yürütmek mümkün değildir. Başka bir deyişle, bu tezde devletin ekonomik müdahale biçimleri tartışılarak, iktidar bloku, hegemonya ve otoriterlik gibi konuların sınıflar arası ve sınıf içi analizlerle incelenmesi için bir temel oluşturulmuştur.

Tezimi tamamlama sürecine yaklaşırken, Narendra Modi'nin 15 Ağustos 2014'te Kızıl Kale'de yaptığı Bağımsızlık Günü konuşmasıyla karşılaştım; bu konuşma, onun başbakan olarak yaptığı ilk konuşma olması nedeniyle büyük bir sembolik öneme sahipti. 2010'larda Hindistan'daki dönüşümleri anlamaya odaklanan araştırmam, devletin dönüşümünü, özellikle finansallaşma ile ilgili olarak, ülkenin siyasi ekonomisini yeniden şekillendiren birincil faktör olarak zaten tespit etmişti. Analizimin, bu dönüşümün esas parametrelerini ve kaynaklarını ortaya çıkardığına inanıyordum. Ancak, Modi'nin konuşmasını düşünürken, Hindistan devletinin dönüşümünün -NITI Aayog'un kurulmasından, Kamu-Özel Ortaklıklarının teşvik edilmesine ve finansal içerilmeye kadar- aslında siyasi vaatlerde zaten var olduğunu fark ettim. Politik ekonomi araştırmacıları olarak politikacıların seçim vaatlerini ciddiye almayız. Modi'nin yüzlerce vaadi arasında en çok bunları gerçekleştirdiği yani Hindistan'da finansallaşmanın bir devlet projesi olarak yürütüldüğünü, yeni bir yönetişim formunu temsil ettiğini ifade ederken bu konuşma yine teorik olarak tez boyunca altı çizilen başka bir olguyu, politikanın önceliğini, bir kez daha hatırlattı.

C. THESIS PERMISSION FORM / TEZ İZİN FORMU

(Please fill out this form on computer. Double click on the boxes to fill them)

ENSTİTÜ / INSTITUTE

Fen Bilimleri Enstitüsü / Graduate School of Natural and Applied Sciences	☐
Sosyal Bilimler Enstitüsü / Graduate School of Social Sciences	☒
Uygulamalı Matematik Enstitüsü / Graduate School of Applied Mathematics	☐
Enformatik Enstitüsü / Graduate School of Informatics	☐
Deniz Bilimleri Enstitüsü / Graduate School of Marine Sciences	☐

YAZARIN / AUTHOR

Soyadı / Surname : Kahya
Adı / Name : Pınar
Bölümü / Department : Siyaset Bilimi ve Kamu Yönetimi / Political Science and Public Administration

TEZİN ADI / TITLE OF THE THESIS (**İngilizce** / English): Rethinking Finance and State in Indian Economic Development: Continuity or Transformation

TEZİN TÜRÜ / DEGREE: **Yüksek Lisans** / Master ☐ **Doktora** / PhD ☒

1. **Tezin tamamı dünya çapında erişime açılacaktır. /** Release the entire work immediately for access worldwide. ☒
2. **Tez iki yıl süreyle erişime kapalı olacaktır.** / Secure the entire work for patent and/or proprietary purposes for a period of **two years. *** ☐
3. **Tez altı ay süreyle erişime kapalı olacaktır.** / Secure the entire work for period of **six months**. ***** ☐

***** *Enstitü Yönetim Kurulu kararının basılı kopyası tezle birlikte kütüphaneye teslim edilecektir. / A copy of the decision of the Institute Administrative Committee will be delivered to the library together with the printed thesis.*

Yazarın imzası / Signature .... **Tarih** / Date ....
(Kütüphaneye teslim ettiğiniz tarih. Elle doldurulacaktır.)
(Library submission date. Please fill out by hand.)

Tezin son sayfasıdır. / This is the last page of the thesis/dissertation.