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Neoliberalism and the Rise of Social Movements in India

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This study aimed to elucidate the way neoliberal policies have transformed India's economy since the 1990s and the implications of such policies for people living at the margins of the state. The study argued that while neoliberal reforms helped India overcome its economic crisis and slow growth, they also resulted in state withdrawal from social welfare, widening inequality, and commodification of land and labor, which have adversely affected the rights and interests of the poor. As a response, several social movements—reactionary, reformist, welfarist, and political—have emerged not just to “bring the state back in,” but also to make economic growth inclusive, humane, and sustainable.

Introduction

India is the world's largest democratic polity and the fifth-largest economy. It is also one of the fastest-growing major economies globally. After four decades of slow economic growth, India faced a serious balance-of-payment crisis in the late 1980s. This crisis forced the country to abandon “the Nehru-Mahalanobis model of developing India on the basis of a closed capitalist economy with a significant role for the public sector” and follow the neoliberalism model (Sahoo, 2010: 487). Neoliberalism refers to a discourse that restructures the relationship between the state and the market for capitalist accumulation. This model of development primarily “entailed transferring domains of social life from the former to the latter: deregulation of markets; privatization of public firms, natural resources, and public utilities; and the withdrawal of the state from many areas of social provision. Overall, neo-liberalism called for ‘liberating’ markets from state control and placing increasing realms of human action, as well as natural resources under the direction of markets” (Levien, 2007: 123).

Since the adoption of neoliberal policies in 1991, the Indian economy has undergone significant transformations. Considering this, the study sought to understand how neoliberal policies have transformed India's economy since the 1990s and what kind of implications such policies have had for people living at the margins of the state.

Neoliberal Policies and Transformations

Policy Changes

Prior to the 1990s, India's economy suffered from a system of rigid rules and strict government control, which hindered the establishment and operation of business. Consequently, India's economy grew at a relatively slow rate of 3.5 percent annually, finally resulting in a balance of payment crisis in the late 1980s. However, the neoliberal reforms of 1991 brought significant changes in India's trade and industrial policy: “import tariffs were brought down from 87 percent in 1990-91 to 29 percent in 2001-02; the industrial licensing system was

abolished for all but 18 countries; the number of industries reserved for the public sector was reduced from 17 in 1991-92 to just 3 in 2000-01; and the control of foreign capital inflow was relaxed” (Sahoo, 2010: 487).

Furthermore, the privatization and liberalization of the economy were accelerated, the tax burden on the rich was reduced, and numerous quota restrictions on economic activity were lifted. Although the crisis was overcome in a few years, successive Indian governments have continued the reform process. In fact, reforms have intensified in “some fields like trade, foreign investment, land markets and taxation partly due to WTO requirements and partly due to internal dynamics of the economy, which calls for high growth and high investment including FDI” (Biswas and Das, 2019: 1).

Economic Growth

India’s economy has grown significantly over the last three decades due to reform policies. Despite the global economic slowdown, the World Bank has revised its 2022-23 GDP forecast for India from 6.5 to 6.9 percent. The World Bank’s country director in India pointed out that “India’s economy has been remarkably resilient to the deteriorating external environment, and strong macroeconomic fundamentals have placed it in good stead compared to other emerging market economies” (Prasad, 2022).

The economic growth of India has attracted the attention of global investors. According to the latest World Bank annual ratings, India is ranked 63 among the 190 economies in terms of ease of doing business. India’s rank improved from 63 in 2019 to 134 in 2014. Despite the Russia-Ukraine war and several other global uncertainties, India has registered its highest ever FDI inflows of US\$ 84.84 billion in 2021-22. Data suggest that India has received a total FDI inflow of US\$ 887.76 billion between April 2020 and September 2022 (*Livemint*, 2022). In addition, continuing reform policies have provided Indian companies with flexibility and competitiveness. Many Indian companies have been successfully conducting business at the global level. Today, two of the top 10 richest people in the world come from India. Credit Suisse’s (2022) Global Wealth Report shows that the number of millionaires in India has increased from 6,89,000 in 2020 to 7,96,000 in 2021, and this number is expected to grow by 105 percent to 1.63 million by 2026. India’s per capita GDP

has also grown significantly, from US\$ 2,097 in 2002 to US\$ 7,316 in 2021.¹⁾ Consequently, the size of India's middle class has increased. Reports suggest that one in every three Indians is middle class, and this number is expected to double by 2047, placing two out of every three Indians in the middle-class category (*Business Standard*, 2022).

Consequences of Neoliberal Growth

As the above discussion shows, neoliberal policies have increased the economic growth rate and significantly transformed the Indian economy. The real questions, however, are: What are the implications of this growth for people at the margins of the state? Who has benefitted from this economic growth? How far has neoliberalism been successful in creating an inclusive growth process in India?

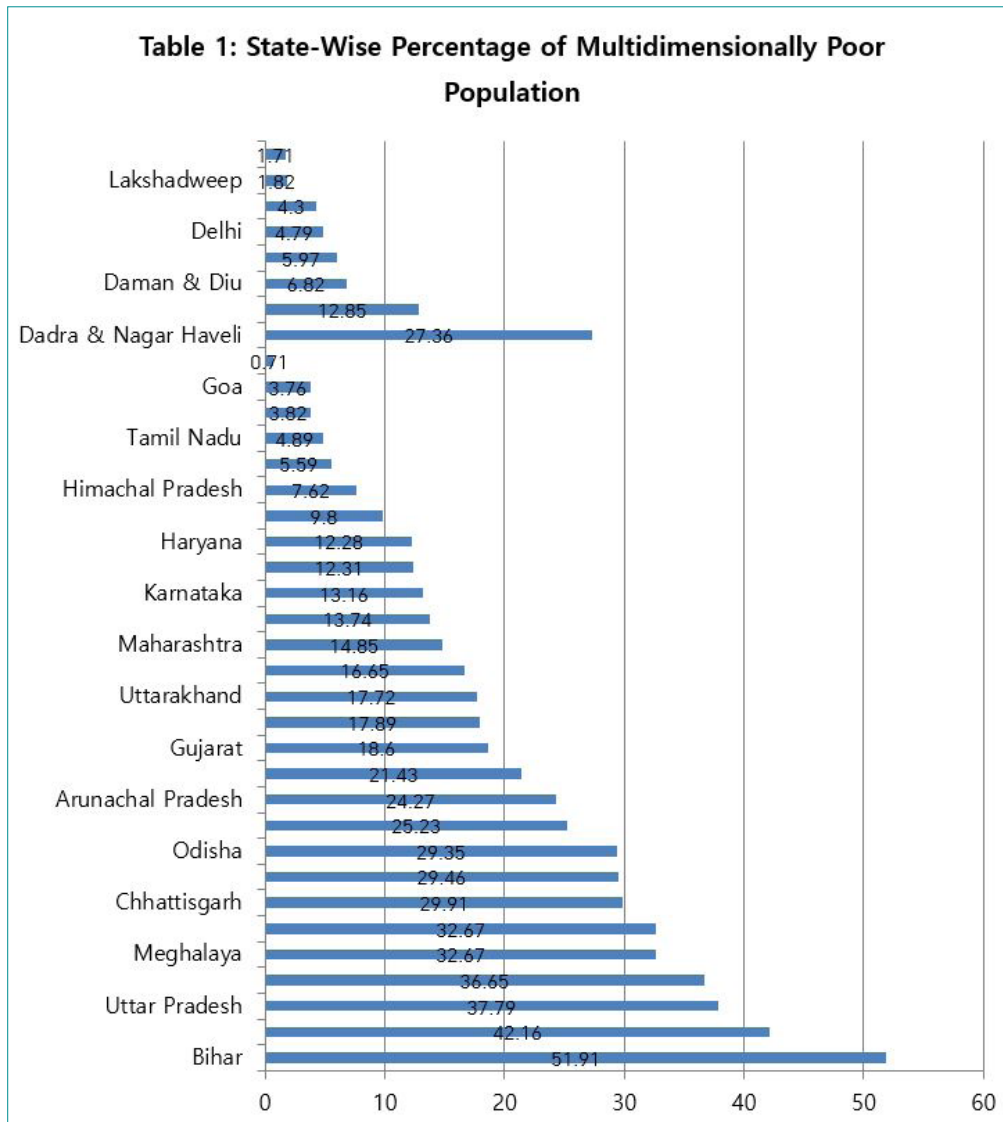
A survey of the existing literature shows that neoliberal policies have largely benefitted the upper- and middle-class groups and failed to positively influence the lives of the poor. While Chacko (2018) notes that neoliberalism has “contributed to the fracturing of the dominant modes of political incorporation,” Das (2015) argues that it is a form of imperialism that has had “devastating impacts on toiling masses.” Drawing on the literature, this study showed how neoliberalism adversely affected the poor and marginalized in India.

Declining Social Welfare

With neoliberal restructuring, market forces have forced the state to withdraw from many areas of social welfare, which has adversely affected the poor. Data show that despite the high rate of economic growth, India still has the largest number of poor people worldwide at 228.9 million in 2020; 16.4 percent of its population lives below the poverty line. Particularly, states such as Bihar and Jharkhand are the worst performers (Table 1). India's unemployment rate has also risen during the post-reform period, which economists have referred to

1) <https://knoema.com/atlas/India/GDP-per-capita-based-on-PPP>; accessed January 16, 2023.

as “jobless growth” (Thomas, 2012). The COVID-19 pandemic particularly worsened the situation of the poor. Studies have estimated a fall in total employment between 2011-12 and 2017-18. As Anand and Thampi (2022:6) noted, “the usual status unemployment rate in 2017-18 was at a four-decade high of 6.1 percent, and the weekly status unemployment rate was nearly 9 percent.”²⁾ Although the unemployment rate was marginally lower in 2020-21, it remained high.”



Source: National Institution for Transforming India (NITI) Aayog (2021: 34)

2) While the usual status unemployment refers to “chronic unemployment that spans several months over the preceding year,” the weekly status unemployment refers to “unemployment in the preceding week” (Anand and Thampi, 2022: 6).

The state expenditure on health and education has also been extremely low. As data show, the government's health expenditure as a percentage of the gross domestic product (GDP) fell from 1.35 percent in 2017-18 to 1.28 in 2018-19. Although India's public health expenditure increased to 1.8 percent of GDP in 2020-21, this allocation was much lower than that of other countries. The Economic Survey for 2020-21 observed that India ranked 179 among 189 countries in prioritizing healthcare in the government budget (Mishra, 2022: 2). Similarly, India's expenditure on education declined from 3.8 percent of the GDP in 2007-08 to 3.1 percent of the GDP in 2021-22. Despite the recommendation of the landmark Kothari Commission of 1964-66 to increase the education expenditure to 6 percent of the GDP, India's education budget has never managed to achieve that. As a result of low public investment in education and healthcare facilities, India's economically marginalized have suffered significantly. For example, almost 25 percent of India's population, mostly poor, remains illiterate. Similarly, although India's maternal mortality rate has declined from 103 deaths in 2017-19 to 97 deaths per 100,000 live births in 2018-20, India's poorer states such as Madhya Pradesh (173), Uttar Pradesh (167), Chhattisgarh (137), Odisha (119), Bihar (118), and Rajasthan (113) suffer from high maternal mortality rates (Deol, 2022).

Rising Inequalities

The World Inequality Report for 2022 pointed out that India is one of the most economically unequal countries globally, with rising poverty and an affluent elite (Chancel, Piketty, Saez and Zucman, 2022). In India, the top 1 and top 10 percent hold 22 percent and 57 percent of the national income, respectively, while the share of the bottom 50 percent has declined to 13 percent. The Gini coefficient also shows high wealth inequality (Table 2). In 2020-22, India ranked second with a Gini coefficient of 82.3 after Saudi Arabia (86.4) among the fastest-growing major world economies. The Gini for other major economies, such as China and Indonesia, was much lower at 70.1 and 78.2, respectively (Credit Suisse, 2022).

Table 2: Wealth Inequality Trends 2000-21 (Selected Countries)

	Gini Coefficient				Wealth Share of Top 1 Percent			
	2000	2010	2015	2021	2000	2010	2015	2021
Brazil	84.5	82.1	88.7	89.2	44.2	40.2	48.7	49.3
Canada	74.9	71.7	71.8	72.6	29.1	22.4	23.3	25.0
China	59.5	70.0	71.2	70.1	20.7	31.5	31.7	30.5
France	69.7	69.8	69.9	70.2	25.5	21.0	22.3	22.3
Germany	81.2	77.4	79.2	78.8	29.1	25.7	32.1	31.7
India	74.6	82.1	83.3	82.3	33.2	41.4	42.3	40.6
Japan	64.5	62.5	63.6	64.7	20.4	16.7	18.2	18.7
Russia	84.8	90.0	89.5	88.0	54.4	62.8	62.6	58.6
United Kingdom	70.5	69.1	73.0	70.6	22.2	23.6	25.0	21.1
United States	80.6	84.1	84.9	85.0	32.9	33.4	34.8	35.1

Source: Credit Suisse (2022: 31)

Economic growth has also driven up regional inequality in India. While states like Bihar, Jharkhand, and Uttar Pradesh have remained poorer, states like Karnataka, Maharashtra, Goa, Andhra Pradesh, and Gujarat have prospered. These advanced states have attracted foreign investments and developed infrastructural facilities, which have fueled further growth. The Economist (2022) notes that “in terms of economic development, the difference between Goa and Bihar is like that between southern Europe and sub-Saharan Africa”. Moreover, “if the two states were countries, Goa’s annual output per person would put it among upper-middle-income economies; Bihar, by contrast, would still be years away from leaving the low-income category.”

Commodification of Land and Labor

Neoliberalism has also commodified land, which has given rise to land grabbing and wars. In the name of economic growth, the state is helping the market forces and private capital to acquire prime agricultural land for industry, mining, highways, real estate, townships, and special economic zones. It invokes the principle of “eminent domain” in the Colonial-era Land Acquisition Act, 1894, to facilitate land acquisition for corporate capital. According to this principle, “the state is the ultimate owner of land and can take over any tract for ‘public purposes’ provided it pays ‘reasonable’ compensation to the affected groups” (Banerjee-Guha, 2013: 165). While the term “public purpose” is vaguely defined, various Supreme Court rulings have interpreted it in a way that has helped the state acquire land for private corporations. Such large-scale land acquisition programs have

not only displaced millions of peasants, tribals, and laborers, but have also dismantled their lives, livelihoods, and community ties.

Labor has also become precarious³⁾ under neoliberal conditions. In addition to the prevalence of high unemployment, contractual jobs have increased levels of uncertainty for people. Furthermore, caste, ethnicity, gender, and religion have intensified the processes of marginalization for certain groups and pushed them “away from a livable life.”⁴⁾ In the Indian context, particularly, as Harriss-White and Heyer (2015:8) noted, Dalits and Adivasis have suffered the most, and they have the least upward mobility in the labor market.

Rise of Social Movements

As the above discussion has shown, although neoliberal economic reforms have opened the market and facilitated growth, they have simultaneously forced the state to withdraw from social welfare provisions, commodified land and labor, and widened inequality, which had negative implications for poor and marginalized communities. As Sheth (2004: 48) has noted, “the poorest among the poor are neither able to become full-wage earners in the economy nor even full-fledged citizens in the polity.” The adverse effects of neoliberalism have brought people together from different caste, class, ethnic, and gender backgrounds and created the conditions for political mobilization to not only control the ill effects of the market and “bring the state back in,” but also to make growth humane. In response, several social and political movements have emerged, which are discussed in the following sections.⁵⁾

3) Anna Tsing (2015) defines precarity as a “life without the promise of stability.”

4) <https://journal.culanth.org/index.php/ca/catalog/category/precariety>; accessed January 21, 2023.

5) Discussions on these movements in this section largely draw from Sahoo (2017).

Reactionary

Reactionary movements have emerged as a response to the exclusive and exploitative policies of the state and neoliberal market forces. While the Nehruvian modernization project was largely driven by the “public welfare” motive, the neoliberal development model is concerned mostly with “private good” or maximization of profit. In particular, land-acquisition projects facilitated by the government have displaced millions of people from their lives and livelihoods. As Levien (2013: 352) has noted, more than 60 million people have been displaced from their land since 1947, and this has particularly increased after the reforms in the 1990s. Reports suggest that “Adivasis and Dalits constitute 60 percent of all displaced people” (Sahoo, 2017: 12) and according to estimates, only 25 percent of the affected individuals have been rehabilitated (Levien, 2013: 382). Large-scale industrial and development projects that displace people have been severely resisted, and consequently, several peasant uprisings have emerged in different parts of the country. Some examples include Kalinga Nagar (Tata), Niyamagiri (Vedanta), and Jagatsinghpur (POSCO) in Odisha; Singur and Nadigram in West Bengal; Bhatta Parasaul in Uttar Pradesh; and Save Narmada in Gujarat (Sahoo, 2017: 12).

Reformist

The major objective of the reformist movement is to make growth more humane and inclusive. Influenced by constitutional principles, especially rights and social justice discourse, reformists seek to distribute the benefits of growth among the poor and advance their interests. In this regard, they have followed a non-violent, advocacy-oriented approach to engage with respective state machinery. In particular, “movements based on concepts such as the right to food, right to information, right to education, and right to employment have used ‘democratic politics’ to push their agenda for marginalized groups” (Sahoo, 2017; Khera, 2013). Although some of these movements began with poor tribals, peasants, and laborers, middle-class activists also joined them. To engage with policy issues, the United Progressive Alliance (UPA) government also created the National Advisory Council (NAC), which included academics, activists, and civil servants. Following pressures from advocacy groups and positive inputs from the NAC, the government passed the Right to Information Act (2005), National Rural Employment Guarantee Act (2005), Forest Rights Act (2006), Right to Education Act (2010), and Food Security Act (2013).

Welfarist / Developmental

This movement shifted the discourse of development from a top-down to a bottom-up/participatory approach. It was led by non-governmental organizations (NGOs) and development organizations. Welfarists believe that the state is minimalist in nature and must be complemented. In this regard, NGOs played a major role in collaborating with the state in public service delivery and project implementation. The World Bank also encouraged NGOs to advance its “good governance” project. Consequently, the number of NGOs has increased significantly. Data suggests that there are more than 3.1 million NGOs in India today (58 percent in rural areas) working on poverty alleviation, education, healthcare, sanitation, environmental conservation, and other issues (Sahoo, 2017: 15). Although NGOs have been criticized for being corrupt and unaccountable, they have played a major role in acting as brokers or mediators in representing the needs, interests, and rights of the vulnerable (Sahoo, 2017: 15).

Political

This refers to the growing participation of the poor and marginalized in formal electoral politics. Studies have shown that in comparison to the 1970s, the 1990s witnessed an electoral upsurge of socially disadvantaged groups: in 1971, the voting percentage of Other Backward Classes (OBCs) was the same as the upper classes (53.5 percent), while in 1996, more OBCs (59 percent) than upper castes (56 percent) voted. The voting percentage of Scheduled Castes increased from 55.5 percent in 1971 to 60 percent in 1996. Similarly, the voting percentage of tribals increased from 48.5 percent to 57 percent and Muslims increased from 48 percent to 57 percent during this period (Alam, 2005: 30-31). This increasing participation of the poor shows their “increasing involvement in choosing the authority with a ‘conditional grant’ for a fixed period. Political parties that fail to represent the interests of the poor risk being thrown out of power” (Sahoo, 2017: 16). This was seen when people rejected the Bharatiya Janata Party (BJP) for its urban-centric growth policies in the 2004 general election and the UPA for corruption and price rise in the 2014 general election.

Conclusion

The above discussion shows that neoliberal reforms helped India overcome the balance of payment crisis of the 1990s and facilitated economic growth. Consequently, India has emerged as the fifth-largest economy in the world. Economic growth has simultaneously resulted in declining social welfare, widening inequality, and commodification of land and labor, which have adversely affected the rights and interests of the poor. As a response, the poor and marginalized (often joined by the middle class) have mobilized themselves in various ways—reactionary, reformist, welfarist, and political—not only to “bring the state back in,” but also to make economic growth inclusive, humane, and sustainable. While it may be true that these movements have not always been successful in resisting neoliberalism, they have nonetheless influenced the developmental discourse toward inclusion and social justice.

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