Financialization,
भारत में वित्तीयकरण,
Development
विकास
and COVID-19
और कोविड-19
Pandemic
महामारी
in India

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Financialization, Development and COVID-19 Pandemic in India

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Table of contents

Introduction 7

A Critical Analysis of Fiscal and Monetary Policy: India's Response to COVID-19
Birendra Kumar Pandey 14

The Indian Banking System, Financial Fragility, and Deregulation
Alicia Girón and Jacobo Silva 28

The Subsumption from Real to Financial in India
Romar Correa 75

Supply Chains, Innovation, and Foreign Direct Investment. Variables in Indian Foreign Policy
Soraya Caro Vargas 90

Financialization of the Five Largest Indian Pharmaceutical Corporations. Challenges in the Face of the Health Crisis
Jesus Sosa 108

India Post Pandemic. Trade and Cooperation, is there a role for Latin America?
Paola Baroni 125

COVID-19 Vaccination Gender Gap in India.
Can Trade Agreements Help?
Amrita Bahri 143

Inclusive Development and Healthy Democracy
as Imperatives of Economic Growth
in Post-Pandemic India
Beatriz Martínez 165

Introduction

The current publication, "Financialization, Development and COVID-19 Pandemic in India", examines the links between the COVID-19 pandemic, financialization, foreign trade and cooperation, and development in India. Analyzing the implications of financialization and achieving the capacity to return to pre-pandemic growth levels is a challenge that emerging economies have posed without being able to attain it until the closure of these researches. In the field of real economy, the effects of development projects in the region will be analyzed, pointing out their structural limitations. Therefore, the central hypothesis states that COVID-19 had a profound effect on the economy and society of India, as well as on its economic and financial development, trade relations, stock market, expansion of investments in Latin America, and democratic game during the pandemic.[1] In that sense, these issues reveal a series of systemic and institutional elements that partly explain the effects of this pandemic on the economy, particularly in the process of financialization and economic development of India, in addition to its consequences for the Latin American region.

Besides, in India, this phenomenon has very particular characteristics, taking into consideration its economic development, the inequalities in its society, its essential vaccine manufacturing facilities, and its infrastructural limitations, among other contrasts. Hence, the Indian case is relevant to understand the social and economic arrangements provoked by the pandemic.

1 Regarding trade and cooperation, this book endeavors to analyze the external trade prospects, mainly with Latin America, due to the scarcity of this kind of research in English. The concept of development should be understood from a comprehensive perspective, not only from an economic point of view, but from a political and social one as well.

The degree of financialization of the economy, the impact of COVID-19 and the post-pandemic raise several questions to understand the development of India's economy since the structural reforms led by Prime Minister (PM) Narendra Modi. Being the largest democracy in the world and the second largest economy among emerging countries, an academic dialogue with a heterodox thinking is necessary for several reasons.

Immersed in the global economic structure, India showed signs of fragility and uncertainty caused by the restrictive monetary and fiscal policies implemented in the wake of the Great International Financial Crisis (GIFC) of 2008-2009, not to mention other types of measures with negative effects on the economy or with an unsuccessful application, such as demonetization, the new bankruptcy code of 2016, and the goods and services tax of 2017; nor the slowdown in the pace of economic growth since 2017.

Against the backdrop of the pandemic, India had a historic GDP drop of -7.3% in the fiscal year (FY) (April-March) 2020-21 although a rapid recovery of 9.5% is forecast in the FY 2021-22, according to the Reserve Bank of India (RBI). This is in part due to the 20.1% growth in the first quarter of that FY. However, despite having the largest vaccine provider institutes in the world, the administered doses in India and PM Modi's efforts to vaccinate the majority of the population were not optimal. The World Health Organization (2021) has recorded 525 760 deaths as of July 19, 2022, whereas Johns Hopkins University notes that deaths as of July 19, 2022, at 6:30 p.m., counted 525 474. In contrast, the Institute for Health Metrics and Evaluation (IHME, 2022) projected 3 753 537 total deaths —reported and unreported— by the aforementioned date. In October 2021, the government welcomed the registration of just over a billion doses administered, and 926.26 million people (65.81% of the population) have been fully vaccinated by July 19, 2022, according to the Our World in Data platform.

This shows the strengths and weaknesses of India, including how, through the policies implemented to reactivate the economy in the face of a process of recession and deflation, the productive structure and GDP growth was showing signs of exhaustion. Just before the pandemic was declared worldwide, India, like other countries in the region, had failed to maintain the pace of economic growth achieved during the first decade of this century.

Within the framework of the globalization process, India has sought to establish a pro-business model of economic development, supported by economic liberalization, export boosting, and repositioning at the international level, the results of which have been relatively successful. This has consolidated certain strengths, as shown by its generic drug industry, but also weaknesses in the structure of its economy, such as its energy and food security, and its dependence on inputs from China. Likewise, the estimates for the recovery of the Indian economy seem to predict a very promising near future. However, a more rigorous analysis will shed light on this issue and reveal the consequences and limits of its economic growth strategy and financialization process, and the effects of the pandemic. We cannot ignore the importance of the war carried out in Ukraine, where there is a rearrangement of regional blocs, in which India —along with China and Russia— has been playing a part since the GCFI, and which has been deepened by the confrontation between China and the United States since the Trump era, and been sharpened by the event of war. However, it is also of paramount importance to mention how global inflation and rising interest rates paint a bleak picture. The RBI raised the interest rate by 50 basis points to 4.90% in June, 2022, while Fitch Ratings expects it to reach 5.90% by end-2021 and 6.15% by end-2023, remaining like this during 2024.

Consequently, all these facts and data expose the complexity of development and evolution of the pandemic, economic, and social outcomes in India. Based on that, this book has been organized according to the following arrangement. Primarily, the initial three chapters analyze the COVID-19 pandemic's consequences on the financial system of the Indian economy, though not neglecting the real economy and the concerns with financialization during and after the pandemic.

The subsequent three chapters examine the relationship between India and the external realm in terms of foreign trade, cooperation, and foreign direct investment. It is imperative to highlight that the COVID-19 pandemic has undoubtedly been a significant disruption to global trade, but also an opportunity to increase commercial influence and internationalization for some countries, especially India. In addition, the apparently two divergent subjects, the vaccination gender gap and trade agreements, show a relevant link between trade and COVID-19 in India, adding a new

angle to the academic debate. Also, the studies focused on the India-Latin America commercial relations are not very well identified compared to other regions —for example, India-East Asia, India-Southeast Asia or India-Africa. Therefore, its analysis is a pertinent academic contribution to the post-pandemic prospects examination.

Finally, in an exceptionally diverse and unequal country like India, the political and social ramifications of a phenomenon like a global pandemic may be studied from an economic growth perspective. The contrast and the contradictions in India are fundamental aspects to think through while reviewing the government's economic response to the negative aftermaths of the mitigation and contagion containment measures. Therefore this chapter is the final study to be presented.

In other words, the logic behind this publication lies in the endeavor to make available a series of varied analyses linked by the study of the Indian government's and economy's reaction and response to the COVID-19 pandemic, ranging from the Indian financial system and financialization to trade, cooperation, and development. So, the primary connection among the various chapters is not only India, but the COVID-19 pandemic's repercussions on the Indian economy and development and the Indian government's response. And, because of the variety of topics related to the above-mentioned linkage, the chapters are grouped under three broad themes: COVID-19 and Financialisation; Investments, Foreign Trade, and India-Latin America Cooperation; and Democracy and Minorities.

Thus, the chapters' briefs are presented as follows:

Section 1. COVID-19 and Financialization

1. We begin this book with the chapter by Birendra Kumar Pandey, entitled "A Critical Analysis of Fiscal and Monetary Policy. India's Response to COVID-19", which examines how India was affected by an unprecedented health crisis in 2020-21 due to COVID-19, how India responded to such a crisis as soon as it became clear that a pandemic was coming, and how India's stimulus packages nevertheless have relied largely on measures to increase liquidity, but not on real spending.
2. Alicia Girón and Jacobo Silva, in "The Indian Banking System, Financial Fragility, and Deregulation", consider that the Indian

banking system has undergone structural changes from financial reform and the process of deregulation during the 1990s. Added to this is a new element: the COVID-19 pandemic and its effects on the banking system. For them, the categories of concentration and centralization of capital, and the increasing instability of banking institutions will enable an assessment of banking fragility, as well as the impact and repercussions of the pandemic. Their objective is to analyze the profitability of the banking system, the banks' non-performing loans, and the government's strategy to prevent a banking crisis.

3. In the chapter "The subsumption of the real into the financial in India", Romar Correa ascertains that production and investment in commodities and the working class in India are shrinking. Therefore, the economy is open to financial instruments. The result is that those initial beneficiaries of wealth get richer and those with nothing to sell but their labor power vanish from view and statistics, accentuating inequalities.
4. Jesús Sosa, in "Financialization of the Five Largest Indian Pharmaceutical Corporations. Challenges in the Face of the Health Crisis", points out that with the arrival of the COVID-19 pandemic, economies and societies have revealed the fragility with which they sustain their cohesion and their relationships, and that the phenomenon broadly defined as financialization inhibits the accumulation of capital, and with it, economic growth. In his work, he tests the financialization variable for the five largest Indian pharmaceutical corporations and discusses the challenges they face during the global health crisis.

Section 2. Investments, Foreign Trade, and India-Latin America Cooperation

5. Soraya Caro Vargas, in "Supply Chains, Innovation, and Foreign Direct Investment. Variables in Indian Foreign Policy", analyzes the national interest from three perspectives: global value chains (GVCs), science, technology, and innovation (STI) systems, and foreign direct investment (FDI) abroad and inward. The premise of this work is that diplomacy, as a foreign policy mechanism,

has an intimate relationship with the interests of local development; therefore, for an academic who tries to understand India's path of productive transformation and internationalization during a pandemic, this is the scenario that predominates today.

6. In "India Post Pandemic: Trade and Cooperation, is there a Role for Latin America?", Paola Baroni wonders what the role could be for Latin America in bilateral and multilateral cooperation to promote an important development between the two actors. Both sides share abundant human and natural resources, and need to have a multi-pronged strategy to improve bilateral trade, but India has been reluctant to partner with others on deeper trade agreements. According to the author, despite the fact that there are cooperation treaties in different areas, little has been done. COVID-19 seems to be driving the 'India moment', so the aim of this chapter is to explore partnership options with Latin America to collaborate on mutual development.
7. Amrita Bahri, in "COVID-19 Vaccination Gender Gap in India: Can Trade Agreements Help?", mentions that health pandemics affect women and men differently, how this difference can worsen existing gender inequalities, and that COVID-19 is one such pandemic. Thus, her chapter outlines four main reasons why this health pandemic has led to a gender gap in vaccination in India. In addition to exploring how trade agreements can contribute to repairing this gender gap, the author sheds light on several ways in which existing trade agreements adopt gender equality considerations and how they can be better prepared to help minimize this gender gap in vaccination by addressing women's health interests.

Section 3. Democracy and minorities

8. Finally, Beatriz Martínez, in "Inclusive Development and Healthy Democracy as Imperatives of Economic Growth in Post-pandemic India", confines her discussion to the parameters of the Human Development Index (HDI), analyzing the structural aspects that have limited inclusive development in India and left vulnerable groups such as Dalits or untouchables, tribal groups, and even some cultural minorities behind. It also studies the

political failures of the Indian democratic system to assess how the current political culture implements measures of exclusion, to the detriment of well-being and development opportunities for marginalized sectors. The argument here is that India's good performance in economic growth will be limited if amendments to achieve inclusive development in a post-pandemic period are not implemented.

This book ends with a heterodox perspective on transcendental themes, such as the economic policy carried out since the pandemic for the recovery of economic development and the effect of the lockdown crisis in an international environment of fragility, galloping inflation, and fractured value chains; and whose expectations are not flattering in an environment of international confrontation where the United States fights for hegemonic control in a totally weakened multipolar world.

The editors thank the University Program for Studies on Asia and Africa (PUEAA) for the support to carry out a meeting between India, Colombia and Mexico to get us closer to India, who will soon be a global power in addition to being the largest democracy worldwide. Words cannot describe how grateful we are to the PUEAA team members who developed the logistics to reach this publication: Vania de la Vega Shiota, academic secretary; José Luis Maya, technical secretary; Andrea Reyes and the academic publications committee, who proposed the reviewers in order to contribute to this book.

Alicia Girón and Jacobo Silva
Editors
Ciudad Universitaria, August 2022

A Critical Analysis of Fiscal and Monetary Policy: India's Response to COVID-19

Birendra Kumar Pandey[1]

Summary

This Article makes a critical analysis of how India was impacted by an unprecedented health crisis in 2020-21 because of the highly contagious corona virus (COVID-19) spreading across the country, and how India responded to COVID-19 as soon as it became clear that a pandemic was in the offing. The government of India took several proactive, preventive, and mitigating measures, including Fiscal and Monetary Policy interventions to provide relief to the citizens.

However, India's stimulus packages have leaned heavily on these measures to increase liquidity, and actual new spending was only a small portion of the Indian government's stimulus.

Introduction

The Indian economy was negatively impacted by an unprecedented health crisis in 2020-21 because of the highly contagious corona virus (COVID-19) spreading across the country. India responded to COVID-19 as soon as it became clear that a pandemic was in the offing. In response to the pandemic, the government of India took several proactive, preventive, and mitigating measures. They imposed a sudden total nationwide lockdown on March 25, 2020. This lasted until the end of May, 2020, and was subsequently lifted in stages. The country suffered

1 Dr. B.K. Pandey, Adjunct Professor, Arun Jaitley National Institute of Financial Management

a severe economic contraction, with Gross Domestic Product (GDP) estimated to have fallen by 24% in Q1 FY 2021 and by 9% in FY 2020-21 as a whole. GDP growth, however, has rebounded strongly in 2021-22 (Bloomberg, 2021).

Background

The stringent measures to restrict the spread of the COVID-19 virus led to a curtailing of economic activity in 2020. Sharp decline in global demand and balance sheet stress in the financial sector also adversely impacted growth, despite support from fiscal stimuli and continued monetary policy easing. Growth prospects further suffered due to the 2nd wave in March-May 2021. Economic activity has started to pick up and is expected to be driven by robust rural demand, buoyant exports due to recovery in key export markets, and progress in vaccination.

The policy response to the economic impact of both the pandemic and the consequent lockdown was a mix of fiscal, monetary, and financial measures, although relatively light on the fiscal side. On May 12, 2020, India's government announced the Aatma Nirbhar Bharat Package (ANBP) for self-reliant India, a special economic and comprehensive package with a budget of US $307.65 billion, equivalent to 10% of India's GDP, with an aim to encourage business, attract investments, and to strengthen the resolve for 'Make in India' (India Today, 2020).

On the monetary front, the Reserve Bank of India (RBI) responded with a mix of conventional and unconventional monetary and liquidity measures to mitigate the negative economic fallout of COVID-19. Apart from this, a total of 17 measures, amounting to US $96.58 billion in cost, were announced in June, 2021. These were to provide economic relief from the pandemic, strengthening public health, and impetus for growth & employment.

This paper makes a critical analysis of India's financial package in response to COVID-19 and its relevance on the revival and resurgence of the economy. The paper is divided into three sections. Section I provides details on the fiscal measures, while Section II shows details about the monetary measures. Section III concludes by looking at the financial stimuli provided by other countries and assesses India's response in comparison.

India's Fiscal Policy: Fiscal Measures

The first fiscal support package, intended to provide immediate relief during the lockdown, was the Pradhan Mantri Garib Kalyan Yojana (PMGKY), announced on March 26, 2020. It had an outlay of INR 1,700 billion (US $22.75), (Ahmed, 2020). It included the following provisions:

- Free grain and other staples for poor families for three months.
- Expanded insurance for healthcare workers.
- One-time cash payments of US $13.31 to 30 million senior citizens.
- Expedited scheduling of cash payments to 87 million farmers as part of an existing program.
- Free cooking gas for women in rural areas for three months.
- Establishing a fund to help construction workers affected by the quarantine.

"Atmanirbhar Bharat" (Self-Reliant India) Package

On May 12, 2020, Prime Minister Narendra Modi announced a new stimulus package called the "Self-Reliant India" program (India Today, 2020). While he claimed it had a budget of US $307.65 billion, that total included previously spent money, as well as monetary stimuli. The package was released in five separate stages, some of which included general reform measures and legal changes not related to the pandemic (Ministry of Finance, 2020).

The first part was focused on small- and medium-sized businesses. It included direct extensions of loans to businesses, full and partial loan guarantees to different types of businesses, extending various tax filing deadlines, and a reduction in payroll taxes.

The second part addressed the needs of the poor, especially migrant and farm workers. It included more credit extensions to farmers, programs to provide food for migrant workers and allow them easier access to welfare benefits, and reforms to make minimum wage laws apply to more workers more uniformly.

The third part related to agriculture in general, and included funding for farm supply chains and infrastructure improvements, as well as a reform of agricultural regulation to make it easier for farmers to stockpile and sell crops.

Table 1. The Math of 307.65 Billion US Dollars Package

MONETARY STIMULI	FISCAL STIMULI
February 6, 2020 Liquidity injection through RBI measures: US $43.064 billion (1.4% of GDP) **March 27, 2020** Liquidity injection through RBI announcements: US $57.5212 billion (1.8% of GDP) • Targeted Long Term Repo Operations or TLTRO: US $15.38 billion • CRR cut by 100 bp to 3% of net demand and time liabilities: US $21.0706 billion • Accommodation under marginal standing facility hiked from 2% of Statutory Liquidity Ratio to 3%: US $21.0706 billion **April 17, 2020** • Targeted Long Term Repo Operations 2.0: US $7.69 billion (0.25% of GDP) Refinancing of SIDBI, NABARD and NHB: US $7.69 billion (0.25% of GDP) **April 17, 2020** • Special liquidity facility for mutual funds: US $7.69 billion (0.25% of GDP)	**March 27, 2020** US $26.146 billion fiscal package announced by Finance Minister Nirmala Sithaiaman (0.85% of GDP) **Total**: 4.8% of GDP or US $149.8012 billion **Balance**: 5.2% of GDP or US $157.7988 billion

Source: Iyer, 2020.

The fourth part targeted modernizing India's economy, including loosening regulations in the coal and mineral mining sector to increase

private-sector involvement, changing military procurement regulations, easing airline and airport regulations, and privatization of power utilities.

The fifth part focused mainly on reforming business regulation, increasing state government borrowing limits, and increasing funding to a work program for rural workers. With an outlay of INR 20,000 billion (US $307.6 billion), it rested on the core pillars of economy, infrastructure, system, vibrant demography, and demand. The key highlight of the package was the Emergency Credit Line Guarantee Scheme (ECLGS) to provide unsecured loans to MSMEs and business enterprises (Das, 2020). The package included the following measures:

- INR 3,000 billion (US $40.14 billion) emergency working capital facility for businesses, including MSMEs: To provide relief to businesses, additional working capital finance of 20% of the outstanding credit (as of February 29, 2020), in the form of a term loan at a concessional rate of interest, will be provided. This will be available to units with up to INR 250 million (US $3.34 million) outstanding credit and turnover of up to INR 1 billion (US $13.38 million). This amount will be completely guaranteed by the Indian government, providing a total liquidity of INR 3,000 Billion (US $40.14 billion) to more than 4.5 million MSMEs.
- INR 200 billion (US $2.68 billion) subordinate debt for stressed MSMEs: The government proposed to support around 200,000 stressed MSMEs by directing INR 40 billion (US $535.19 million) to the Credit Guarantee Trust for Micro and Small Enterprises (CGT-MSE). Banks were expected to provide the subordinate debt to promoters of such MSMEs, equivalent to 15% of their existing stake in the unit subject, to a maximum of INR 7.5 million.
- INR 500 billion (US $6.69 billion) equity infusion through MSME Fund of Funds: The government will set up a 'Fund of Funds' with a corpus of INR 100 billion that will provide equity funding support for MSMEs. The Fund of Funds shall be operated through a mother fund and a few daughter funds. It is expected that, with leverage of 1:4 at the level of daughter funds, the Fund of Funds will be able to mobilize equity of about INR 500 billion.

- Micro Food Processing Enterprises (PMFME) Scheme: Launched on June 29, 2020, the PMFME Scheme is being implemented in 35 States and Union Territories. The PMFME portal went live on January 25, 2021. A key component of the scheme is to achieve One District One Product (ODOP).
- Modified definition of MSMEs: To avoid the phenomenon of dwarfism, the definitions of MSMEs have been revised with effect from July 1, 2020. The new definition as notified is as follows:
  - Micro enterprise, where the investment in plant and machinery or equipment does not exceed INR 10 million (US $0.13 million) and turnover does not exceed INR 50 million (US $0.67 million).
  - Small enterprise, where the investment in plant and machinery or equipment does not exceed INR 100 million (US $1.34 million) and turnover does not exceed INR 500 million (US $6.69 million).
  - Medium enterprise, where the investment in plant and machinery or equipment does not exceed INR 500 million and turnover does not exceed INR 2.5 billion (US $33.45 million).
- Employees Provident Fund Support for businesses and organized workers.
- INR 450 billion (US $6.02 billion) partial credit guarantee scheme 2.0 for liabilities of non-banking finance institutions (NBFCs)/micro finance institutions (MFIs).
- INR 300 billion (US $4.01 billion) Special Liquidity Scheme for NBFC/MFIs.
- INR 900 billion (US $12.04 billion) liquidity injection for DISCOM.

Comprehensive Stimulus Package

Oriented mainly towards infrastructure, healthcare, and private public collaboration, this recovery plan with an outlay of INR 2,650 billion (US $35.46 billion) was announced on November 14, 2020 (The Financial Times, October 2020, Bellmen, Eric, Nov 2022, Wall Street Journal). It introduced the following measures:

Self-Sufficient Economy

The government introduced Production Link Incentive (PLI) schemes in 13 flagship sectors in India to make these sectors globally competitive in terms of production capabilities and export viability. The incentives are provided on incremental sales of goods in target segments and are set to attract significant foreign investment.

- INR 30 billion (US $401.39 million) boost for promotion of project exports through lines of credit under the Indian Development and Economic Assistance (IDEAS) scheme.
- Investment in infrastructure and planned urbanization.
- Setting up a platform worth INR 1,100 billion (US $14.72 billion) for infrastructure debt financing through equity infusion of INR 60 billion in the National Investment and Infrastructure Fund (NIIF) to ease infra-financing and trigger infrastructure development.
- Other measures were announced to generate employment and provide sustainable housing for both rural and urban economies. Under this package, an extension of the ECGLS scheme was announced till March 31, 2021 to provide liquidity support to the 26 stressed sectors of the economy, as identified by the Reserve Bank of India's Kamath panel by providing collateral free and 100% state-guaranteed loans.

Stimulus Package during Second Wave. June, 2021

The government announced an US $84.4 billion relief package on June 28, 2021 to minimize the impact of the second wave of COVID-19. The package is mainly focused on public health, tourism, and the rural economy.

Out of the loan guarantee scheme of US $16.918 billion, the health sector will get US $7.69 billion to scale up medical infra (specially targeting underserved areas) in light of the health crisis of the century. The interest rate has been capped at 7.95%. Other sectors will receive US $8 billion at a maximum interest rate of 8.25% annually and additional US $2.56 billion for public health. This amount will be utilized to prepare for short-term emergencies

and improve pediatric care facilities. The finance minister has also promised support to the battered tourism sector in the form of a US $13,424 loan to travel agencies and a US $1,342 loan to tourist guides. Tourist visas will be provided for free to the first 500,000 tourists when the process begins.

Among other measures, there will be a widening of the Emergency Credit Line Guarantee Scheme, under which collateral-free loans are given to MSMEs, or Micro, Small, and Medium Enterprises. A new scheme will give up to US $1,678 in loans to 2.5 million small borrowers at lower interest rates.

In an attempt to boost employment, the finance minister announced that the Atmanirbhar Bharat Rozgar Yojana will be extended from June 30, 2021 to March 31, 2022. The scheme incentivizes employers to create new employment through the Employee Provident Fund Organisation.

To boost exports, an export insurance cover of US $13.534 billion for merchandise exports and US $4.46 billion for project exports will be provided. The money would be channelised through the Export Credit Guarantee Corporation and the National Export Insurance Account (NEIA) trust, respectively.

Continuing with the center's efforts to promote manufacturing, the Production-Linked Incentive (PLI) scheme for large scale electronics manufacturing will be extended by a year. The scheme, which was supposed to begin in 2020-21 and continue for a period of five years, will now continue till 2025-26.

And to provide broadband connectivity to 250,000 panchayats across the country, an additional US $3.076 billion will be provided for the Bharat Net project.

As the monsoons have arrived in the western and southern parts of the country, the finance minister announced an additional US $2.36 billion for DAP and NPK-based complex fertilizers.

- Expansion of ECGLS with additional credit worth INR 1,500 billion (US $20.13 billion) for small and medium enterprises.
- New INR 75 billion (US $1.01 billion) scheme to guarantee loans up to INR 125,000 (US $1 677.26) to small borrowers through MFIs.
- Visa fee waivers for foreign tourists to give a boost to the tourism industry. Half a million tourists will be given one-month free visas.

- Indirect support for exports worth INR 1,210 billion (US $16.19 billion) over the next five years.
- Outlay to introduce new seed varieties to farmers.
- Expansion of broadband to all Gram Panchayats for better rural connectivity.
- One year extension for large electronics manufacturers to meet their production targets under the PLI scheme, since many of them struggled to sustain or scale up operations due to restrictions and lockdowns to curb the second COVID-19 wave.

However, it is to be noted that a large part of the US $307.65 billion, as much as US $123.04 billion, was additional liquidity injected into the system by the Reserve Bank of India through various measures in February, March and April, 2020. Added to this, there is the US $26.146 billion fiscal package announced by the Finance Minister on March 27, 2020. The balance of the economic and financial package then stands at US $153.8 billion. The US $307.65 billion package includes a US $26.146 billion package of free food grains for the poor, and cash for poor women and elders, which was announced in March along with the Reserve Bank's liquidity measures and interest rate cuts. While the March stimulus was 0.8% of the GDP, the RBI's cut in interest rates and liquidity boosting measures totalled 3.2% of the GDP (about US $99.97 billion).

Therefore, some critics observed that the fiscal outgo was not more than US $61.52 billion during 2020. In a way, this puts a ceiling to the size of the fiscal package at 2.1% of the GDP (US $61.52 billion), but if innovatively leveraged, the multiplier impact on the economy could be significant (Iyer, 2020). As detailed above, the government provided a $169.18 billion stimulus throughout the five stages.

Several structural reforms were announced as part of the Atmanirbhar Bharat package. Inter alia, these include deregulation of the agricultural sector, change in definition of MSMEs, a new PSU policy, commercialization of coal mining, higher FDI limits in defense and space sectors, development of the Industrial Land/Land Bank and Industrial Information System, Production Linked Incentive Schemes, revamp of the Viability Gap Funding Scheme for social infrastructure, a new power tariff policy, and incentivizing States to undertake sector reforms.

India's Monetary Policy Response to COVID-19

India's monetary policy has been less constrained than its fiscal policy, because it is not as tied to India's standing with foreign credit agencies. On March 27, 2020, India's central bank, the Reserve Bank of India (RBI), lowered its repo rate, the bank's benchmark interest rate, by 0.75% to 4.4%, and lowered the reverse repo rate by 0.9% to 4%. On April 17, 2020, it further lowered reverse repo rates by 0.25% to 3.75%. The RBI followed this up with another 0.4% cut to both rates at its May, 2020 meeting, reducing the repo rate to 4% and the reverse repo rate to 3.35%, along with reiterating an explicit commitment to maintain an accommodation monetary policy stance for as long as necessary (Das, 2020).

The bank injected US $49 billion into the financial system on March 27, 2020 by loosening capital restrictions and reserve ratios, as well as launching a "Targeted Long Term Repo Operation" (TLTRO). The TLTRO allows repurchase agreements on investment-grade bonds, commercial paper, and other debt instruments called nonconvertible debentures (NCDs). The RBI increased its lending facility for state governments on April 1, 2020, and raised the ability of state governments to overdraft on April 7, 2020.

The RBI has also extended special liquidity facilities for national lending institutions, like the National Bank for Agriculture and Rural Development (NABARD), the Small Industries Development Bank of India (SIDBI), and the National Housing Bank (NHB).

The RBI allowed all banks to permit three-month deferments of payment for loans on March 27, 2020. In May, 2020, it extended this period through August 31, 2020. On April 17, 2020, the bank allowed a moratorium from March 1, 2020 to May 31, 2020, on the classification of assets as nonperforming. Normally, loans are classified as nonperforming after 90 days of being overdue on payments.

On May 5, 2021, the RBI announced an additional round of COVID-19 stimulus funding, with the central bank opening a liquidity window of US $6.8 billion and tenors of up to three years at the repo rate that will be available until March 31, 2022, according to the central bank. This new stimulus would allow Indian banks to lend money to hospitals and COVID-19

vaccine manufacturers and distributors, as well as providers of medical oxygen and other COVID-19 relief. The RBI's measures also included helping micro-, small-, and medium-sized businesses, allowing some borrowers to extend their repayment period (Das, 2021).

To tide over the pandemic, it was paramount for the government's and the central bank's policies to work in tandem. To ensure that the government did not have to cut their spending due to shortfalls in revenue, the RBI needed to enable both central and state governments to borrow adequately in debt markets. As a banker to the central and state governments, the limit on Ways and Means Advances for both central and state governments was increased. Aside from this, through open market operations, the RBI purchased about 30% of the central government's net market borrowings in FY 2021, and has committed to continue to purchase substantial amounts in FY 2022 through the G-sec Acquisition Programme.

Comparison of India's Financial Package with some Key Nations

Stimulus packages introduced in other parts of the world, including ASEAN and the US, focused primarily on direct measures, like providing financial aid to households, businesses, and people who lost jobs. Tables 2 and 3 below give a comparative picture:

Table 2. How India's Measures - Fiscal Aid, and Monetary and Macro Policy Assistance - Compare to other Key Nations'

India Vs The World

Fiscal	Monetary and Macro Financial
US	
2.3% of GDP in Paycheck Protection Program and Healthcare Enhancement Act	Rate cut by 150 bps in March, 2020
11% of GDP in CARES ACT	Facilities to ensure flow of credit
Another 1% in Families First Coronavirus Response Act and supplemental budgetary allocation made thereafter	

Fiscal	Monetary and Macro Financial
China	
20.5% of GDP in fiscal measures	3.2% of GDP in liquidity infusion
Of which 1.2% of GDP measures already being implemented	1.7% of GDP in relending and rediscounting facilities
Additional measures, such as announcement of local bonds worth 1.3% of GDP	Rate cuts in the range of 10 - 150 bps
Japan	
Emergency Economic Package of 21.1% of GDP, from which 16% is aimed at protecting employment and business	Host of measures, including liquidity provision by increasing in size and frequency of Japanese government bonds, and concessional loan facilities for small business
Germany	
Supplementary budget of 4.9% of GDP focusing on providing short term work and preserve jobs	Additional asset purchase
Using government guarantees to increase credit volume by at least 23% of GDP	Extension of ECB norms, which include prohibiting banks from paying dividends for FY 2019 and 2020 and/or buying back shares. Conserved Capital to be used to support households, small businesses, and other borrowers
India	
6.4% of GDP (`12,954 billion) includes food security, direct cash transfer, money for rural job guarantee scheme, and credit guarantee to MSMEs	3.9% of GDP (`8,016 billion), policy rates cut and other measures to boost liquidity
State Government packages over and above this	Payment moratorium on consumer loans established before March 15 is granted until June 30

Source: Ministry of Finance, 2020.

Table: 3. Stimulus as % of GDP

JAPAN	21.1
US	13.0
SWEDEN	12.0
GERMANY	10.7
INDIA	10.0
FRANCE	9.3
SPAIN	7.3
ITALY	5.7
UK	5.0
CHINA	3.8
SOUTH KOREA	2.2

Source: Ceyhun Elgin, Columbia University.

In India, however, all the stimulus packages announced so far mainly rest on the provision of eased access to credit through reduced rates of interest, as well as credit guarantee loans. The packages lack direct measures while focusing predominantly on low-cost lending and injecting funds into infrastructure and state-guaranteed loans. The only direct transfer of aid to people has come in the form of free food grain distribution. Though the liquidity injection is much required among MSMEs to ensure sustained operations, it will merely help them in the short-term, offering no significant assistance towards long-term recovery. More direct measures are required in the case of individuals and households to ensure an increase in demand and consumption patterns. Many analysts have observed that India's stimulus spending has been at the lower end amongst emerging markets.

Rather than increasing government spending, India's stimulus packages have leaned heavily on measures to increase liquidity, such as loosening bank lending restrictions or sending tax rebates early. Actual new spending has made up only a small portion of the Indian government's stimulus. The Government of India was not in a position to really afford

a huge stimulus, but intended to provide relief to get the patient out of the ICU. There was not enough fiscal space to increase expenditure substantially. Unlike ASEAN and the US, India did not offer direct financial assistance, opting instead for a balance of credit guarantee schemes and sustained investment in public infrastructure.

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The Indian Banking System, Financial Fragility, and Deregulation[1]

Alicia Girón[2] *and Jacobo Silva*[3]

Summary

Indian banking has undergone structural changes since the financial reforms and the process of deregulation during the 1990s. Added to this is a new element, the COVID-19 pandemic and its effects on the banking system. The categories of concentration and centralization of capital, and the increasing instability of banking institutions will enable an assessment of banking fragility, as well as the impact and repercussions of the pandemic. The economic fragility of India's banking system has been a constant over the past few decades. The objective of this article is to analyze the profita-bility of the banking system, the banks' non-performing loans, and the government's strategy to prevent a banking crisis.

Introduction

The fragility and instability of the banking system have been present in India as a result of the increase in non-performing loans (NPLs) and the necessary process of concentration and centralization between public and

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private banks. Financial fragility deepened because of COVID-19 during the pandemic. The Indian economy, as well as the global economy, had continued to experience a slower pace of growth prior to COVID-19, ever since the global financial crisis (GFC) of 2008 and the subsequent recession of the past decade. The IMF Economic Outlook estimated the Indian real GDP growth at 6.1%, over the global average of 3%, by the end of 2019 (International Monetary Fund [IMF], 2019). The pandemic significantly changed the economic development, as the results for the world economy were a real GDP growth of -3.5%, and -8.0% for India in 2020 (IMF, 2021). However, a slight recovery of 11.5% is expected for India, above the global economic forecast of 5.5% by 2021 (IMF, 2021).

The economic slowdown, the credit constraint, and a declining demand, on top of the problems of NPLs, permeated the financial instability of the banking system prior to the COVID-19 pandemic declaration. The SARS-CoV-2 virus prompted and shaped a scenario of greater uncertainty for the second quarter of 2020. Months later the situation evolved, but the economic indicators did not reach pre-pandemic levels. Contagion mitigation measures, lockdown, and social distancing, led to a GDP fall of -23.9% for said quarter (Jagannath 2020). According to the Reserve Bank of India (RBI), it was noted that "the primary reasons for spurt in stressed assets [of banks] have been observed to be, *inter-alia*, aggressive lending practices, willful (sic) default/loan frauds/corruption in some cases, and economic slowdown" (Ministry of Finance [MOF], 2019).

These days, the following questions arise: what kind of influence, and how much of it, will COVID-19 have on the volume of NPLs in the most important Indian commercial banks? For this reason, the objective of this work is to analyze and understand, in the context of the health crisis caused by the virus, the impacts on banks' financial statements, their profitability, and the government's strategy of concentration and centralization of capital through the merger of several public sector banks (PSBs).[4] The study period covers until December 2020.

Thus, it is necessary to know, from a heterodox approach, the causes of financial fragility and its relationship with the banking system. Of

4 This article will only study the largest public and private commercial banks, which have more than US $15 billion in assets.

particular interest is the role of credit money in the economy and its evolution, taking into account how the phenomena of financing and securitization have unfolded before and after the GFC (Kregel, 2010; Wray 2012; Tymoigne, 2009; Girón and Chapoy, 2012; Epstein and Crotty, 2013; Epstein, 2014).

In this sense, Minsky's work (2008, 2008a, 1986) is vital in recognizing, on the one hand, the fragility of the financial system as a result of periods of economic boom that led to financial innovations, institutional changes, regulatory easing, poor supervision, and excessive leverage, among other practices tending to instability; and, on the other hand, the incapacity to understand banking and finance without taking money into account as an endogenously determined variable. Fragility and instability are endogenous processes to the banking system. In addition, Minsky recognized a slow transformation of capitalism, from a commercial capitalism —funded by merchant and commercial banks— towards a money manager capitalism —finance-driven and centered on money managers (institutional investors) (Charles J., 2012). This money manager capitalism causes two main problems, revealed more clearly during the GFC: a context that systematically underrepresents risk, and has little regulation and poor supervision of financial institutions and money managers, which develops opaque financial instruments (Wray, 2011).

At the same time, the Marxian categories of concentration and centralization of capital are essential to the analysis, since they contribute to the explanation of bank's strategies —among other companies'— to maintain profitability and earnings facing the growing increase in NPLs (Girón, 1978).[5] Relating to concentration, Marx (1975, p. 777) remarks that

> Every individual capital is a larger or smaller concentration of means of production, with a corresponding command over a larger or smaller labor-army. Every accumulation becomes the means of new accumulation. With the increasing mass of wealth which functions as capital, accumulation increases the concentration of that wealth in the hands of individual capitalists, and thereby widens the basis of production on a large scale and of the specific methods of capitalist

5 Marx (1975) developed these two concepts in order to analyze the self-expansion of individual capital.

production. The growth of social capital is affected by the growth of many individual capitals.

While, about centralization, Marx establishes that

> This splitting-up of the total social capital into many individual capitals or the repulsion of its fractions from one another, is counteracted by their attraction. This last part does not mean a simple concentration of the means of production and of the command over labor, which is identical with accumulation. It means the concentration of capitals already formed, destruction of their individual independence, expropriation of capitalists, one by one, and transformation of many small capitals into few large ones. This process differs from the former in that it only presupposes a change in the distribution of capital already to hand and functioning; its field of action is therefore not limited by the absolute growth of social wealth, but by the absolute limits of accumulation. Capital grows in one place to a huge mass in a single hand because it has in another place been lost by many. This is true centralization, distinct from accumulation and concentration (Marx, 1959, p. 529).

In this sense, concentration refers to the expansion of capital for an individual capitalist, whereas centralization denotes a distributional process re-ordering the existing capital. Besides,

> both categories are part of a dialectical process. There might be no centralization without concentration. Centralization is an important element of the accumulation process, which, due to it's swiftness, is accompanied by an accelerated increase in the mass and rate of surplus-value [concentration] (Giron, 1978, p. 33).

And, to Marx (1966), these processes are affected by two elements: competition and credit. On the one hand, the competition battle leads to the defeat of smaller capitals by larger capitals; on the other hand, credit becomes a weapon in this battle, and a social mechanism for the concentration and centralization of capitals. Thus, finance capital, defined by Hilferding (1981, p. 225) as "the capital at the disposal of banks that is used by industrialists", is a powerful factor in the development of both processes.

However, Sau (1979) explains —taking up the Marxian discussion- that concentration and centralization can occur not only in the productive and trade and commerce systems, but also in the financial system—though unevenly. Therefore, these two categories have an analytical value for this article. Both dialectical movements elucidate the capital expansion and configuration in the baking system, giving the chance to examine its fragility derived from the growing amount of NPLs.[6]

In this vein, the problem of stressed and bad loans has been the object of study for a long time. Recently, Azad, Bose, and Dasgupta (2017) explained the role of the Indian PSBs as a source of credit to fund investments (particularly in the infrastructure sector after the GFC) and to replace the long-term funding of development financial institutions (DFIs). Besides the Indian over-leveraged private sector reception of large volumes of credit from the PSBs, and taking the latter towards a systemic malaise due to the growing amount of NPLs and a "riskless capitalism" guaranteed by the government budget.[7] In accordance with this perspective, Dasgupta (2020) shows the particularities of the last slowdown (2017-2020), featured for its longevity and the worsening balance sheet of the non-financial private corporate sector. These make the increasing fragility of the Indian banking system evident. This situation was aggravated by allowing loan default without penalties, the reduction of corporate debt through write-offs from PSBs, and facilitating Ponzi financing (Dasgupta, 2020). From a different perspective, Patel (2020) points out two elements at the center of the NPL shock. The first one is the increasing risk caused by the banking sector-fiscalization, this is, the use of PSBs to stimulate the economy due to the constrained

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6 It is interesting to notice that the Minskyian theoretical framework is complemented by the Marxian categories above presented. On the one hand, the banking role in the financial system and the economy is destabilizing, and the banking practices are part of this dynamic; on the other hand, the concentration and centralization processes provide an explanation of the expansion of the financial capital and configuration of the banking system. All of these elements can find a connection in the NPLs' behavior, which reflects the fragility in the whole system.

7 Riskless capitalism is a term used by the former Governor of the RBI, Ranghuram Rajan, in a speech in 2014, to refer to the privileged situation enjoyed by some businessmen or large borrowers responsible for the bank's unhealthy amount of bad loans without paying the price for the losses suffered from them. Rajan mentioned: "If the enterprise regains health, the promoter retains all the upside, forgetting the help he got from the government or the banks. After all, banks should be happy they got some of their money back!"

fiscal expansion. The second one is the PSBs management as a tool of macroeconomic policy instead of efficient intermediation, which derived from their public ownership and led to a trilemma which included a dominant government sector, a limited fiscal space, and an independent regulation and supervision. This article attempts to enrich the discussion by adding a Minskyian theoretical framework to evaluate the Indian banking system's fragility resulted from the same destabilizing banking practices. This article also analyzes the Marxian concepts of concentration and centralization of capital, aiming to explain and describe the changes in the banking system that resulted from the growing NPL amounts by remarking the difference between PSBs and private banks (PVBs).[8]

With regard to the effects of the COVID-19 pandemic on the economy, and the appropriate economic response, other than the neoclassical synthesis, some works can be found, which mainly focus on a very clear premise: neither the lockdown, nor the social distancing, nor the virus itself are the cause of the economic crisis experienced in 2020, but have been encouraging factors in the vulnerability of the world economy (Epstein, 2020, 2020a, 2020b; Chesnais, 2020).

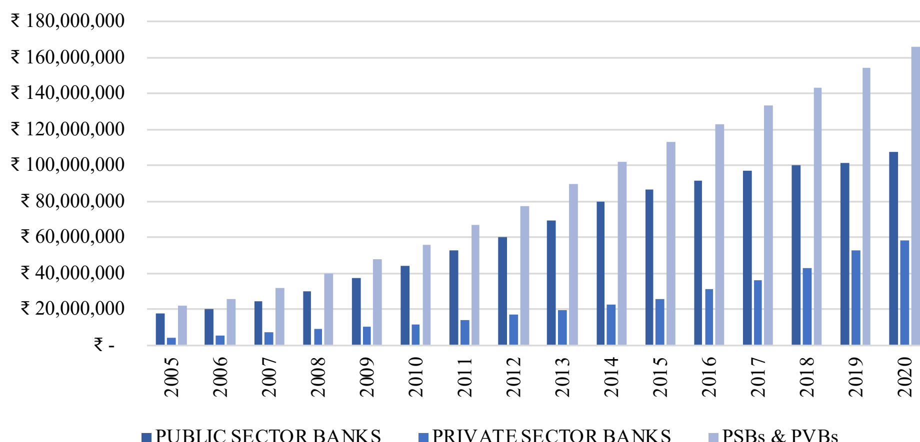
This work is restructured as follows: the first section describes the evolution of the Indian banking system until 2020, outlining three main stages and establishing trends related to the process of banking deregulation and the concentration and centralization of capital through bank mergers and megamergers. The second section addresses the context of the Indian banking system, the credit flows, and the evolution of the NPL ratios. Finally, a joint reflection of the development of India's banking system is presented.

8 From a Minskyian perspective, the banking practices are related to the bankers' motivations, leading to a destabilizing role during economic booms. In the case of India, the PSBs and PVBs exhibited different practices before and after the GFC that are well explained in terms of financing patterns and roles by Azad, Bose, and Dasgupta (2017). The most relevant elements are the PSBs practices, which keep part of the overleveraged non-financial corporate sector afloat by providing credit as a government strategy. These dangerous banking practices lead to growing NPLs ratios, although the government and its PSBs keep the situation under control to allow highly indebted borrowers to keep enjoying a "riskless capitalism", or in a broader Minskyian term, a money manager capitalism. Even if the banking institutions are state-owned, the practices have a tendency towards the same destabilizing scenario.

Concentration, Centralization, Deregulation and the Banking System

The process of concentration and centralization of capital in the Indian banking system has undergone three stages since its independence. In this process, the state has played an especially important role, because while it retains ownership of the largest volume of assets in the banking system, it has also seemed to give greater leeway to local and foreign private banking. Nonetheless, this development has been slow and erratic (**Figure 1**).[9]

Figure 1. PSB & PVBs, total assets in rupees, billions



Source: Author's calculation based on data from the RBI's Database on Indian Economy, https://dbie.RBI.org.in/

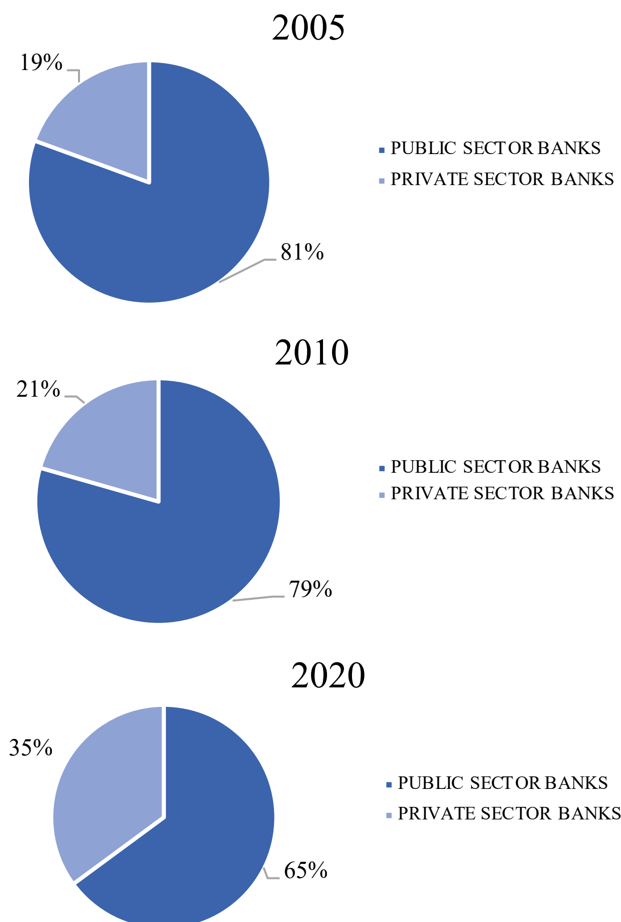
From 2005 to 2020, the PSBs display a major portion of the Indian Scheduled Commercial Banks (SCBs) total assets.[10] However, since 2009,

9 The data available to analyze the concentration and centralization of capital in the Indian banking system is not complete for the whole period of the study. However, there is information for the last fifteen years, taking into account the total assets of the two bank groups as an indicator. In the introduction, the concentration and centralization processes were explained as Marxian categories in order to analyze the expansion of individual capitals, or in this case, financial capitals in the Indian banking system. Thus, the banks' total assets are the finance or banking capital used to illustrate and analyze the concentration and centralization.

10 Scheduled Commercial Banks refers to the commercial banks listed in the Second Schedule of Reserve Bank of India Act, 1934. They are divided in five categories: Nationalized Banks,

their growth in rupees has been increasing at a faster rate. In contrast, the PVB total assets only started growing relevantly in 2014. Nevertheless, the gap between both is narrowing.

Figure 2. PSBs and PVBs total assets share (%)



Source: Author's calculation based on data from the RBI's Database on Indian Economy, https://dbie.RBI.org.in/
* PSBs and PVBs summarized total assets shares.

Development Banks, Regional Rural Banks, Foreign Banks, and Private Sector Banks. Nationalized Banks and Private Sector Banks are the most important in terms of total assets and profits loads.

In 2005, if total asset amounts are summarized, the PSBs account for 81% and the PVBs for 19%; five years later, the change is quite small, noting that in 2010 the crisis was over and there was a new boom. However, in 2020, the change is very prominent, with PVBs accounting for 35%, and 65% for the PSBs (**Figure 2**). Not surprisingly, from 2005 to 2020, the trend is completely noticeable. As it has been mentioned before, this process of concentration and centralization is very slow, but the trend is not slowing down.

In order to historically analyze the concentration and centralization of capital through acquisitions and mergers, the following section presents three main stages determined by an institutional criterion. Institutional changes in the banking system are essential, due to their influence on the banking practices, the risk-exposure, and the banks' performance. Regulation is a key tool in this aspect, though the limits of this kind of changes might be acknowledged in a wider perspective, considering other external and internal disturbing factors. In the case of India, the first stage is marked out by their independence and the 1991 balance-of-payments crisis, which triggered a broad economic reform. The second stage lasted from the first part of the reform period to the deregulating sub stage of the 2000s, and ended with the GFC. The third stage began with the response of the Indian government to an external event —the GFC—, specifically with the prudential supervisory regulations based on Basel III. During this period the SCB's NPLs ratios grew steadily and, at the end of the stage, another external event affected the banking system, the SARS-CoV-2 pandemic and the resulting shock in the economy and society.

First stage, 1947-1991

From the Partition and independence of the Indian subcontinent in 1947, three periods were established with regard to the reconfiguration of the banking system. First, during the import substitution model, the Indian banking system went from having a single public commercial bank, the State Bank of India (SBI), to the nationalization of fourteen banks in 1969. In 1980, six more banks were rescued and nationalized.

In the beginning, this stage was characterized by the consolidation of the Indian banking system, the central banking's confinement to its regulation and supervision, and the activities to attain the government's planned development objectives (Kumar and Gulati, 2014). Here, they (Kumar and Gulati, 2014, p. 15) say that in the 1960s, the Indian banks experienced imbalance in lending practices. The authorities responded with a scheme of social control, aiming to direct "a larger volume of credit flow to priority sectors and make it a more effective instrument of economic development", not mentioning the aforesaid nationalizations. Later, mergers of state-owned banks and the onset of a modest financial deregulation in the capital market strengthened the private sector.[11]

Second stage, 1991-2010

During these years, the banking system experienced further changes, along with the 1990's economic deregulation process caused by the Indian balance-of-payments crisis of 1991. The response to the crisis by the government was the acceptance of an Enhanced Structural Adjustment Facility, which manifested the International Monetary Fund intervention and its following reform design of the Indian economy. This was in exchange for a loan to ease the crisis' most pressing complications (Ghosh 1991, Chossudovsky 1993). The results were the conversion of the economic development strategy to a private export and pro-business model, the devaluation of the Indian rupee by 18%, price liberalization, declining cash reserve and statutory liquidity ratios, reduction of the fiscal deficit (reducing social spending), tax reforms to increase collection, the significant reduction of trade tariffs, and privatization of several state-run companies,[12] along with the consequent reduction of the public sector, among others, which distinguished this stage (Boillot, 2009).

11 These measures correspond to the last period of Prime Minister (PM) Indira Gandhi's government.

12 The Indian government refers to disinvestment to designate the sale of shares of state-owned companies with the purpose of obtaining extra funds, giving up control for the private sector, being de facto a privatization.

Chandrasekhar and Pal (2006) suggest that, at this stage, a key institutional change is established with the creation of universal banking and its regulatory challenges, since it meant the establishment of an oligopolistic structure prone to increasing the fragility of the financial system, as evidenced by the volatility in the main Indian stock exchanges after 2003 after the massive capital inflows.[13] On the other hand, Kumar and Gulati (2014) observed six developments: the increase in the availability of resources for commercial purposes through the lowering of the statutory pre-emptions, the almost total dismantlement of the structure of administered interest rates, the gradual reduction of directed sector lending, relaxation of regulations for domestic and foreign banks, the introduction of improved prudential norms, and the recapitalization of PSBs. In this sense, the 1990's reforms reflect the changes in the banking practices in India and the new rules of the banking game towards a market-oriented system.

The licensing for new banks shows the start of a deeper private sector participation since the beginning of 1992. These banks were Axis Bank (1993), Housing Development Finance Corporation (HDFC) Bank (1994), Industrial Credit and Investment Corporation of India (ICICI) Bank (1994), IndusInd Bank (1994), Kotak Mahindra Bank (2003), Yes Bank (2004), Infrastructure Development Finance Company (IDFC) First Bank (2015), and Bandhan Bank (2015). The first three new commercial banks would become relevant as they were among the five largest banking institutions related to volume of assets and profitability in India.[14] However, since the nationalization of banks in 1969, the Indian banking system has been mostly public considering volume of assets or deposits, with the SBI being the largest entity in the entire banking system.

The process of concentration and centralization of India's banking system took place during the 1990's and the first decade of the 21st century. The banking system was reshaped for both the public and private sectors. The 1991 Narasimham Committee emphasized the convergence

13 After 2003, financial inflows increased significantly due to the growth in stock exchange investments returns. For more details see Chandrasekhar and Pal (2006).

14 Foreign banks have been in India since before the liberalization process, and increased their participation after it, but not to the extent that they were important enough players to overshadow local banking entities.

and consolidation of commercial banks to make them comparable in size to their peers with a global presence (Shah and Deo 2013). By establishing such recommendations to restructure the banking system, it deepened the process of concentration and centralization of capital. Beyond protecting the interest of depositors, megamergers served to strengthen the Indian financial capital. The amount of major mergers went from eight before 1991, up to eleven in the 1990's —PSBs that absorbed small struggling PVBs—. In the following decade, that number increased to sixteen —between PVBs, public banks and other PVBs—, empowering an unparalleled change.

Again, a Narasimham Committee (1998) was set up and designed for a banking reform. By deepening deregulation and stabilization, a greater autonomy and professionalization of PSBs was established,[15] along with the disappearance of seats reserved for the RBI on the various boards of directors of the PSBs. As a result, PSBs became the property of the Indian government and ceased to be owned by the RBI. Later, this continued to promote the strengthening of the concentration and centralization of banks, and established guidelines for the decline of NPLs (without a recapitalization), as well as maintaining and dispersing *priority credit* (Reserve Bank of India [RBI], 2020a, Chandrasekhar and Pal, 2006).[16] The solvency ratio was raised, foreign banks were permitted to enter India, derivative trading was reintroduced in June, 2000, and future and option dealings were reintroduced in November, 2001.

But the liberalizing process has not ended in the 1990's. During the next decade, other institutional changes took place, such as the new guidelines issued on foreign direct investment (FDI) in the banking sector and on market risk management in 2001, the liberalization of commercial banks' interest rates on loans and advances, the freedom to raise long-term bonds with a minimum maturity of 5 years in 2002, the new

15 Through changes to the Banking Regulation Act and the Reserve Bank of India Act, encouraging private sector entry into the banking market, decreasing liquidity and reserve ratios, and seeking to improve the ability to address credit risk by strengthening the capital requirements of public banks with capital market operations.

16 Priority credit sectors are established by the RBI and are listed as follows: Agriculture, Micro, Small- and Medium-sized Enterprises, Export Credit, Education, Housing, Social Infrastructure, Renewable Energy, Others and Weaker Sectors.

rules for securitization of standard assets issued to all banks in 2005, and the revised procedures on lending to the priority sector in 2007 (Kumar and Gulati, 2014).

The government's strategy aimed to strengthen the public banking system through different mergers; a number of vulnerable small banks were rescued in order to avoid depositors' and investors' losses. In the case of the private sector, the logic appears to lie in agreement with the guidelines dictated by the concentration and centralization of private financial capital in the context of the economic deregulation (Tandon, Saxena, and Tandon, 2019; Singh, 2009; Shah and Deo, 2013; Mishra, 2020a). Beyond its effectiveness, it is clear that there is a process of concentration and centralization of government-sponsored capital under the aegis of industrial groups. Thus, concomitant with the financial liberalization process, there was a clear contrast between PSBs and PVBs, which was centered on the banking motivation for mergers. Kumar, Tiwari, and Choudhary (2019) exhibit the twelve major banking mergers from 1991 to 2005, showing that "restructuring of the weak bank" was the aim of eight of the mergers with public anchor banks, even though its nature was forced merger.

In the case of PVBs, three mergers' aim was to "achieve scale of economies", and one merger's aim (between ICICI Bank and ICICI Limited) was to "achieve the objective of universal banking", with a voluntary nature (Kumar, Tiwari and Choudhary, 2019). It is also likely that during the 90's reforms —and the subsequent 2000's-, some PVBs used the mergers as a strategic tool for expanding their horizons, like ICICI Bank in the rural market, strengthening their networks geographically and improving their customer base and market share (Goyal and Joshi, 2011). Additionally, Mohan and Ray (2017) show that separated new and old PVB's amounts of NPLs were shrinking and much fewer than the PSB's amounts —at least until FY2008-09. However, Azad, Bose and Dasgupta (2017) mention that the PVB's annual credit flows were growing slowly and not comparable to the PSB's, as percentage of GDP, even during the economic booms of 2003-2009 and 2009-2011.[17]

[17] It is also possible that during this period a risk-aversion prevented SCBS from growing their credit flows, investing in government securities, though the PSBs were the source for the surge in credit since FY 2004-05. For more details see Azad, Bose and Dasgupta (2017).

Third stage, 2010-2020

The banking and financial systems' reconfiguration under the GFC and the financialization and securitization processes define these years. The easing and opening up of the financial sector attracted a significant capital flow from abroad and increased bank credit, channeling itself to infrastructure —mostly public-private partnerships— and priority credit through indirect financial mechanisms, such as Loan Certificates for Priority Sectors, among others (Mohan and Ray, 2017). In addition, structural changes in the way capital requirements were met in the open market, as well as the RBI's strategy to relax credit rules and stimulate the approval of bank loans, distinguished this stage (Mohan and Ray, 2017).

Banks were able to raise their supply of credit, but NPLs accumulated as an effect of the GFC. To be precisely, Mohan and Ray (2017) show that the Gross and Net NPL ratios were falling since fiscal year (FY) 2000-01,[18] while the solvency ratio increased. Still, the downward trend stopped and began to increase after FY2009-10, as the solvency ratio declined from FY2012-13. The banking sector's response was a merger strategy, registering a new top mark for the 2010's, when it reached fourteen.[19] Thus, by March 31, 2020, there are twelve public commercial banks and twenty-two PVBs, while a decade earlier there were twenty-six and twenty-three, respectively (RBI, 2020).[20] The government's strategy of creating larger PSBs and reducing target banks' NPL ratios deepened the concentration and centralization of bank capital.[21]

Since the beginning of the Prime Minister Narendra Modi's government, there has been a lower willingness to bail out small private defaulted banks through mergers with public banking institutions. In the case of PVBs, from FY2007-08 to FY2010-11, the Gross NPL (GNPL) ratios were higher than those of their public peers, but less than those of

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18 FY in India begins on April 1st and ends on March 31 of the following year.

19 Six of these fourteen mergers are related to the SBI and its associated banks. Four mergers of public commercial banks entered into force on March 31, 2020.

20 In 2019, the Industrial Development Bank of India (IDBI) was recategorized as a private bank, although most of its shares are owned by the state-run company Life Insurance Corporation (LIC).

21 A target bank is an institution purchased or rescued by a bidder bank.

their foreign equivalents, at least until 2016-17 (Das and Rawat, 2018; Mohan and Ray, 2017). This shows the financial fragility situation the Indian economy was in once the negative effects of the GFC arrived, and exactly how better-prepared the PVBs were to reduce unpaid loan ratios and increase their profitability.

The last part of this stage of bank reconfiguration and the fragility situation was also shaken by a series of events or factors beyond the GFC's effects, which altered the banking system's fragility.[22] The new Insolvency and Bankruptcy Code (IBC), the demonetization,[23] the new goods and services tax (GST), and the banking disintermediation —resulting from a credit-squeeze— affected the banking system and were the preamble to the previously perceived economic slowdown in India.

In May, 2016, the Indian government enacted a new IBC, which sought to speed up the bankruptcy process and, above all, legal disputes related to the liquidation of assets for payment to creditors of bankrupt firms in order to resolve unpaid loans. Its implementation, however, has been quite problematic, and its possible modifications diminished its effectiveness (Mehra 2020). Chandrasekhar and Ghosh (2021) mention that a resolution was ensured only in a minority of cases, the proportion of outstanding credit recovered is not higher than the pre-IBC time, and "the resolution process has not recovered more than what could have been obtained through liquidation in most cases [...]", concluding that "the IBC has not been able to help banks recover the loans they have given major corporate players, who with impunity have just refused to service those liabilities", reinforcing the notion of a money manager capitalism, quite close to a "riskless capitalism" (Azad, Bose,

22 The NLP's ratios were growing especially for the PSBs, but these factors had effects on the whole system, mainly in the efforts to reduce the amounts of stressed loans, though not exactly on the concentration and centralization processes.

23 On the night of November 8, 2016, the central government announced the withdrawal of all INR500 and INR1000 banknotes, representing 86% of the currency in circulation in an economy where informality reaches more than 80%, and therefore most transactions are through cash. The government's arguments focused on the fight against "black money" or undeclared money, the financing of terrorism, and counterfeit money. A drastic measure of this magnitude, at such short notice, sparked an important debate in the society, the length of which will last for quite a few years. The nature of this debate was, in particular, on the effectiveness and advantages obtained from this measure, taking into account that 99.3% of the money returned to the streets. For more details see Chikermane (2018) and The Guardian (2018).

and Dasgupta, 2017, Wray, 2011). The IBC's main objective was to relieve banks from their bad loans, so as to reduce their NPL ratios and their provision amounts and increase their credit flows. Nevertheless, this has not yet happened successfully, worsening the PSB's situation and leading to the amalgamation of several public banks. And, notwithstanding that it's too soon to fully assess the IBC and its implication on the concentration and centralization processes, Marx mentions that:

> […] a fall in the rate of profit again hastens the concentration of capital and its centralization through expropriation of minor capitalists, the few direct producers who still have anything left to be expropriated. This accelerates accumulation with regard to mass, although the rate of accumulation falls with the rate of profit. (Marx, 1965, pp. 241-242).

Thus, for a while now, and particularly during this third stage, some PSBs and PVBs have been experiencing, high NLP ratios, leading to fragility in the Indian banking system, a fall in their profits, and what Marx called the expropriation of capitalist by capitalist, though this is a government-directed centralization, which makes it different and relevant because of their theoretical implications and the highlighted banking practices.

Similarly, demonetization can be regarded as a veiled intention to try to fully insert India into international financial circuits, or as a momentous error by Modi's government's most controversial policies, due to the existing consensus on the long duration of its effects (Sanyal, 2018; Strap, 2017; Mohan and Ray, 2019). It is important to notice that there was a significant increase in the Indian commercial banks' GNPLs, from 7.5% in 2015-16 to 9.3% in FY2016-17, even though on average, the NPLs were decreasing in the rest of the world (Das and Rawat 2018). Simultaneously, there were capital flights in 2016, and although in 2017 the situation improved temporarily, it re-entered a period of decline in 2018 with widespread asset sales (Mascarenhas, 2018, 2018a; PTI, 2018). This is without mentioning the slowdown in the Indian economy growth rate since 2016, from 8.25% to 4.18% in 2019 (IMF, 2020).

Subsequently, a new Goods and Services Tax (GST) was established in 2017, which centralizes the collection of taxes to the federal government and then distributes it to the states. However, its implementation

has also been tortuous due to its complexity, defects, and delays due to intricate procedures, coupled with state budget mismatches and their consequent inability to meet their financial commitments (Ahluwalia, 2019; Wolf, 2019).

Finally, credit squeeze is a disruptive phenomenon for the banks' performance, which the Indian government has been trying to deal with for a long time. Since FY2010-11, after the boom experienced, and especially before the GFC, bank and non-bank credit has been limited. Thus, annualized rates of growth suffered a sharp drop from 9.6% and 9.2% in 2012, respectively, to 0% and 0.66% in 2017. Then there was a new high level at 13.59% and 13.66% in 2018, and a new fall to 4.24% and 4.12% since September 27, 2019 (Bhatia and Bhattacharya, 2019). Concurrently, bank and non-bank credit to the non-financial sector has been declining. In 2010-11, it grew to 15.51% and 26.06%, respectively, and collapsed to -9.22% and 0.96% in 2017-18 (Bhatia and Bhattacharya, 2019). This explains the expansion of alternative sources of financing in the non-financial corporate sector, particularly external credit, bond issuance, and foreign direct investment. Taking this into account, in 2014 the government enacted a banking reform, allowing PSBs to raise capital from the financial markets via follow-on public offers (FPO) and qualified institutional placements (QIP). The reform was enacted in order to comply with the capital adequacy norms, reducing the government's stakes by up to 52% "in a phased manner based on their capital requirement, stock performance, liquidity, market appetite, and subject to certain conditions" (MOF, 2015, p. 46). Since 2017, the Indian government has recapitalized PSBs, lowered interest rates several times, encouraged commercial banks to refinance the nonbank financial companies (NBFC) or the shadow banking system, making the latter's liquidity requirements more rigid, and entered into talks with foreign creditors to provide US $14.5 billion in credit to small firms; all with the intention of alleviating the credit crunch (Ahmed and Ghoshal, 2019).

In addition, since FY2014-15, the shadow banking credit growth has been greater than that of commercial banking, which concatenates the credit-squeeze with a bank disintermediation because of risk aversion, a fewer supply of credit, and a filling of the banking vacuum by the NBFC. This is a fact completely acknowledged by the Ministry of Finance (MOF)

and focused on the retail sector and small-scale industry (MOF 2016, 2017, 2018). Consequently, the government reacted by lowering banks' interest rates and capital adequacy ratios (Bhatia and Bhattacharya, 2019). In July 2019, the RBI considered aggressive lending practices, intentional defaults, credit fraud, corruption, and the slowdown in the economy as the main reasons for the increase in NPLs (MOF, 2019).

The problem of unpaid loans does not end in the banking sector, but has been expanding into shadow banking. As such, in September, 2018, Infrastructure Leasing and Financial Services (IL&FS), one of India's largest NBFCs, announced a default —with two of its largest shareholders being the state-run firms LIC (Life Insurance Company) and SBI. This was listed in the press as a *Lehman Brothers moment*, due to the wide negative effects of its bankruptcy (The Guardian, 2019). In July, 2019, Dewan Housing Finance Corp Limited (DHFL), India's third-largest real estate company, declared itself in moratorium, and was intervened by the government.[24] In addition, two months later, Punjab Maharashtra Cooperative (PMC), a regional cooperative bank, was also intervened due to the overwhelming GNPL ratio, at 70% (Rao, 2019). Subsequent statements by the governor of the central bank, Shaktikanta Das, left no doubt in recognizing the detection of "signs of fragility" in 50 mortgage companies and other non-bank lenders (Singh, Nag, and Krishnan, 2019).

The evolution of the Indian banking system is concentrated in three well-defined stages. In 2020, it began a new stage resulting from the SARS-CoV-2 virus pandemic caused by COVID-19. The following section will discuss the context of the Indian banking system at the arrival of the COVID-19 pandemic and its effects on NPLs and banking fragility.

NPLs and the banking system

Prior to COVID-19, the overly complicated situation of the Indian economy was quite evident —especially in its banking system— by its important signs of fragility and instability. Arvind Subramanian and Josh

24 In fact, the Indian government has brought lawsuits against the owners and administrators of these financial institutions for alleged credit fraud, opacity and bad practice.

Felman[25] talked not only about a *twin-balance sheets* problem since 2014 —as a result from banks' NPLs and corporate sector overleveraging—, but about the "four balance sheet challenge" as well, extending the explanation to the financial fragility in the shadow banking system (its defaults and increasing NPLs), and the real estate sector's precarious situation —greatly favored by the financing of the former, but bumping into a drop in demand for new houses (Misra, 2019).

The NPLs on balance sheets explain how the Indian economy slowed and banks were under a lot of pressure to clean up, but also to give credit so the pace of economic growth could be kept or sped up (Chandrasekhar and Ghosh, 2019; Ghosh, 2019). The central bank adopted an accommodative monetary policy to boost credit and stimulate economic activity without broadening the fiscal deficit, in line with the neoclassical synthesis.

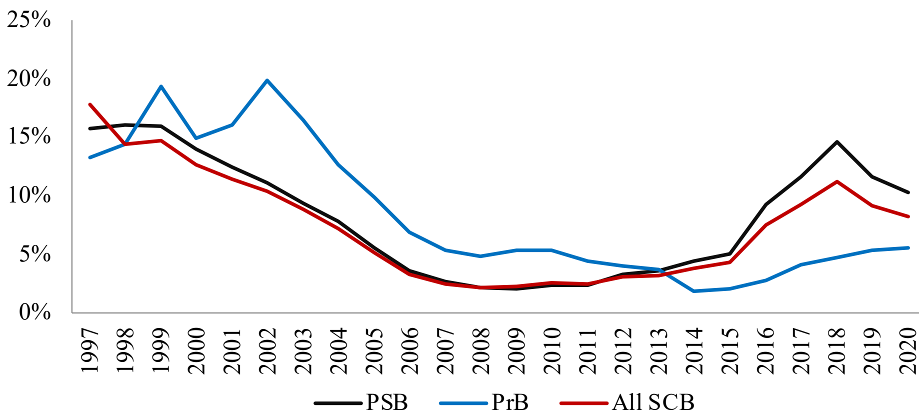
The COVID-19 pandemic showed the fragile situation in the economic, political, and social spheres in several countries, in many different forms and intensities. Despite this, COVID-19 per se is not the problem, as alterations to society and its structures come from strategies to mitigate contagion, such as lockdown and social distancing. In the case of India, one of the strictest lockdowns in the world was established, in addition to the huge volume of quarantined inhabitants, which had far-reaching economic and social consequences (Roy, 2020). In this regard, Kregel (2020) and Epstein (2020, 2020a) describe very well the negative effects on supply and demand from keeping most of the population in their homes.

In a historical analysis, public and private commercial banks' NPL ratios in India experienced a sharp fall from 2002 to 2009 (**Figure 3, 4)**. In the 90's, the PVB's GNPL and NNPL ratios were higher than those of the PSB, but this situation changed ending the 2000's. Mohan and Ray (2017) explained that the increase in bad loans was due to four factors: the crisis and the following relaxed credit norms in order to encourage bank lending, also known as the regulatory forbearance; the fall in commodity prices, which affected related firms' profits; the new —and likely deviated from rigorous discipline- debt in infrastructure projects contracted

25 Former Chief Economic Adviser to the Government of India and former International Monetary Fund (IMF) representative in India, respectively.

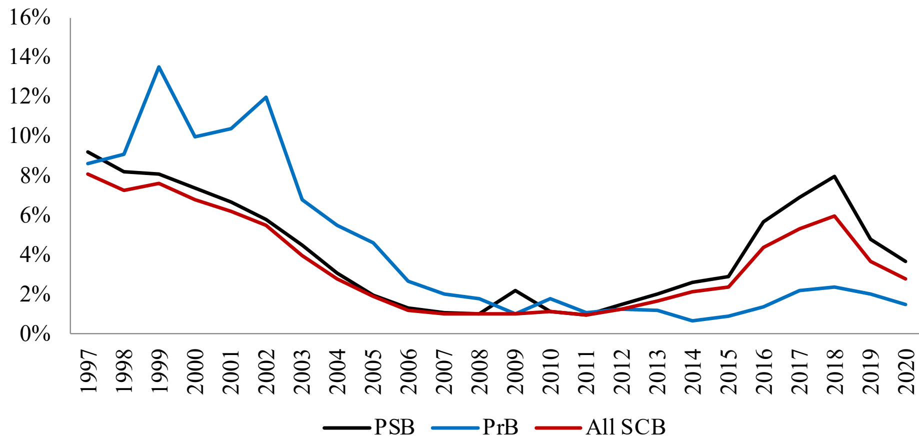
by the highly leveraged Indian companies through private-public partnerships; and governance issues with select PSB management. Azad, Bose, and Dasgupta (2017) show that after the GFC came a boom financed mainly by PSBs in 2009-2011. Later, however, the stressed loan volume kept growing, especially infrastructure-related lending, due to the subsequent economic slowdown.

Figure 3. Gross NPAs as percentage of Gross Advances



Source: Authors' calculations based on various reports on Trend and Progress of Banking in India data.

Figure 4. Net NPAs as percentage of Advances



Source: Authors' calculations based on various reports on Trend and Progress of Banking in India data.

Thus, there is a quite important difference between the PVBs' and the PSBs' behavior and performance, which embodied this phenomenon. PSBs had a very preeminent role as a financing leverage before and after the GFC. However, the following recession and other structural problems have not let the PSBs reduce their NPL ratios, even though the government has been trying to infuse funds through recapitalizations and allowing a raise in market funds through equity issuance, while keeping the public ownership (Mohan and Ray, 2017). In contrast, the PVBs were more restrained regarding the credit surge experienced during the boom in 2009-2011, and displayed smaller stressed loan ratios (Azad, Bose, and Dasgupta, 2017). The same authors exposed three resulting developments: the decrease in credit growth and SCB profits, NPL growth related to priority and no priority sectors for PSBs, and the diminishing flow of credit to infrastructure, industry, and service as a percentage of GDP after 2011 (Azad, Bose, and Dasgupta, 2017). According to RBI (2020b) data, until June, 2020, the PVBs' deposit growth decelerated, but their growth in borrowing was higher than that of the PSBs' as of 2019-20, and their credit-deposit ratio was the highest among the bank groups up to 2020. To Rath *et al* (2020), this divergent behavior is explained by common factors, apart from some idiosyncratic ones, showing the PVBs' steady credit growth since March, 2013, a better quality of assets since March, 2017, and a sustained average profitability. It is likely that the strongest PVBs had a much less aggressive lending strategy, less risk-exposure from the infrastructure sector, and the chance to diminish their NPL ratios, in contrast to the PSBs.

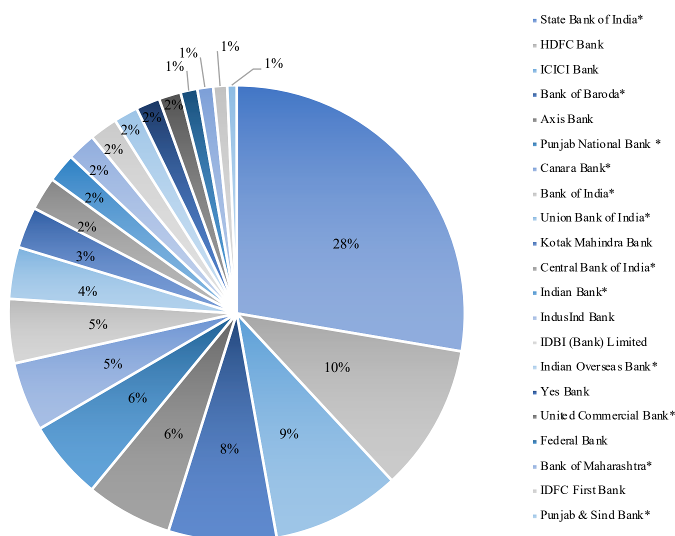
From a Minskyian framework, the financial practices are a useful construct in order to explain the PSBs' precise performance and its distinction from the PVBs'. To Minsky (2008, p. 278), banking and finance can be destabilizing but necessary forces for a dynamic capitalism, since "a period of successful functioning of the economy leads to a decrease in the value of liquidity and an acceptance of more aggressive financing practices." Azad, Bose, and Dasgupta analyze the results of these financial practices, and Minsky provides a theoretical explanation for it, saying that

> [Financial institutions] can experiment with new liabilities and increase their asset-equity ratio without their liabilities losing any significant

> credibility. In these circumstances the readily available supply of finance from aggressive financial institutions [SCB among them] raises capital-asset prices and induces short-term (i.e., speculative) financing of capital-asset positions and investment. (Minsky, 2008, p. 278)

This happened in the infrastructure sector, which worsened and augmented the NPL ratios when the world and Indian GDPs were in a slowdown, especially affecting the PSBs. Part of these financial practices are also related to the government's performance and bank examination, revealing the political and institutional factors in the Indian banking system: supervision, governance, corruption, fraud, and the singular PSB's management motivation, all accepted by the RBI.

Figure 5. Indian Commercial Banks Sample Asset Share (%)



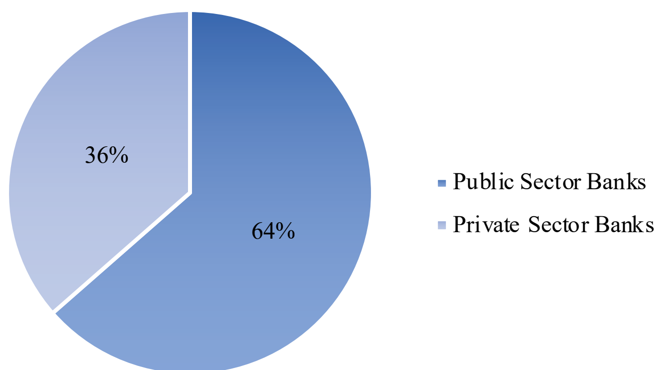
Note: Housing Development Finance Corporation (HDFC), Industrial Credit and Investment Corporation of India (ICICI), Industrial Development Bank of India (IDBI) and Infrastructure Development Finance Company Limited (IDFC).
* Public sector bank
Source: Authors' calculations based on banks annual reports and Bombay Stock Exchange (BSE) data, by March, 2020.

In regard to the Indian banking conformation, according to the RBI (2020), the number of Indian banks is quite high. As of March of 2020,

there are 134 Scheduled Commercial Banks, including private and public commercial banks, payment banks, rural regional banks, and foreign banks; without taking development banking into account. This research will only analyze the most important public and private commercial banks, which have the largest number of branches, assets, and turnovers.[26] These are the twenty-one largest Indian commercial banks arranged by assets (**Figure 5**).

As a result of the process of concentration and centralization of the banking system, the first five banks represent 61% of the total assets. If the first ten were considered, they would constitute 84% of the sample. This structure was established after the PSBs' amalgamation process on March 31, 2020 (**Figure 5**). In addition, six of the first ten banks are public sector banks (PSBs), highlighting the importance of the state-owned banking sector. Indeed, PSBs represent the largest share of the system, not to mention the supply of credit and its essential support for the Indian economic development strategies (**Figure 6**).

Figure 6. Public and Private Sector Banks Sample Assets Share (%)



Source: Authors' calculations based on banks annual reports data, March, 2020.

There is an asymmetrical relationship between public and private commercial banking. The former is vital to the government,[27] and the system in general, having the highest portion of assets, while the latter

26 Commercial banks with more than US $15 billion assets.

27 As noted before, in the boom of 2009-2011, the PBSS had a preeminent role in the financing, similar to the boom from 2003 to 2008, also analyzed by Azad, Bose and Dasgupta (2017).

has better financial health (fewer NPL amounts) and is generally much more profitable. In other words, PSBs, as a whole, are bigger, but PVBs make higher profits. According to the data presented, seven out of ten banks with negative return on assets (ROA) and return n equity (ROE) are PSBs, their GNPL ratios ranging from 8.21% (Canara Bank) to 18.92% (Central Bank of India), while their Net NPL (NNPL) ratios range from 3.88% (Bank of India) to 8.03% (Punjab & Sind Bank) (**Table 1**).[28]

Concerning the remaining three PVBs, IDBI Bank's[29] ROE decreased to -48.94% in 2019, and to -26.28% in 2020 as its GNPL ratio augmented to 27.53%, the highest in the sample. Thus, it has sought to raise its credit provisions, reaching an NNPL ratio of 4.19%, showing that its situation is, to say the least, problematic (BSE, 2020).

In regard to IDFC First Bank,[30] its ROA and ROE decreased to -1.79% and -14% in 2020, respectively. This is despite having maintained a low level of NPLs at 2.60% (gross) and at 0.94% (net), which indicates, due to its short existence, a possible lack of successful adaptation to the challenges imposed by demonetization and the economic slowdown. However, the most interesting case is Yes Bank, due to the government's intervention at the beginning of the lockdown in March, 2020. The SBI was forced to buy —under the RBI's orders— 49% of its shareholding for US $1.3 billion to rescue it (Parkin, 2020). Thus, India's fourth-largest private bank moved to the seventh place. It is striking that this step has been postponed for almost a year, and that a strategy of direct merger, acquisition, or rescue has been dismissed by the government. On the contrary, the cost was reallocated to the country's largest PSB without affecting the government's budget (Iyer, 2020). In the end, a systemic risk was avoided, as Yes Bank —though very profitable in recent years— inappropriately processed several loans, raising its GNPL ratio from 3% in March of 2019 to 7% in September, and increasing it further to 16.80% by March, 2020 (Kazmin and Parkin, 2020).

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28 Net non-performing loans ratio represents total GNPL minus provisions.

29 It is a public sector born entity, whose support served for the creation of other government institutions. However, it became a commercial bank in 2003 and, in 2019, was privatized in a very peculiar way when its shareholding was sold to the state-run LIC and recategorized as a private bank.

30 A bank created in 2015 within the financial company IDFC.

Table 1. Commercial Indian Banks Sample, Basic Data as of March 30, 2020

Banks	Total Assets**	GNPL	NNPL	ROA	ROE	Total Assets Sample %
State Bank of India*	$554 847.00	6.15%	2.23%	0.38%	7.74%	27.66%
HDFC Bank	$208 962.00	1.26%	0.36%	2.01%	16.80%	10.42%
ICICI Bank	$182 441.00	6.04%	1.41%	0.81%	7.40%	9.09%
Bank of Baroda*	$153 539.00	9.40%	3.13%	0.05%	1.23%	7.65%
Axis Bank	$122 659.00	4.86%	1.56%	0.20%	2.34%	6.11%
Punjab National Bank *	$112 613.00	14.21%	5.78%	0.04%	0.79%	5.61%
Canara Bank*	$98 314.00	8.21%	4.22%	-0.32%	-8.05%	4.90%
Bank of India*	$91 162.00	14.78%	3.88%	-0.43%	-12.41%	4.54%
Union Bank of India*	$73 660.00	14.15%	5.49%	-0.53%	-12.50%	3.67%
Kotak Mahindra Bank	$58 764.00	2.20%	0.70%	1.69%	13.70%	2.93%
Central Bank of India*	$47 383.00	18.92%	7.63%	-0.35%	-5.15%	2.36%
Indian Bank*	$41 124.00	6.87%	3.13%	0.26%	3.43%	2.05%
IndusInd Bank	$40 738.00	2.45%	0.91%	1.54%	14.53%	2.03%
IDBI Bank Limited	$39 772.00	27.53%	4.19%	-4.26%	-26.28%	1.98%
Indian Overseas Bank*	$34 464.00	14.78%	5.44%	-2.95%	-49.92%	1.71%
Yes Bank	$34 187.00	16.80%	5.03%	-5.10%	-81.80%	1.70%
United Commercial Bank*	$31 281.00	16.77%	5.45%	-0.96%	-9.44%	1.56%
Federal Bank	$23 952.00	2.84%	1.31%	0.94%	11.10%	1.19%
Bank of Maharashtra*	$22 411.00	12.81%	4.77%	0.23%	6.32%	1.11%
IDFC First Bank	$19 784.00	2.60%	0.94%	-1.79%	-14.03%	1.00%
Punjab & Sind Bank*	$13 326.00	14.18%	8.03%	-0.91%	-19.25%	0.66%
Total	$2 005 383.00					

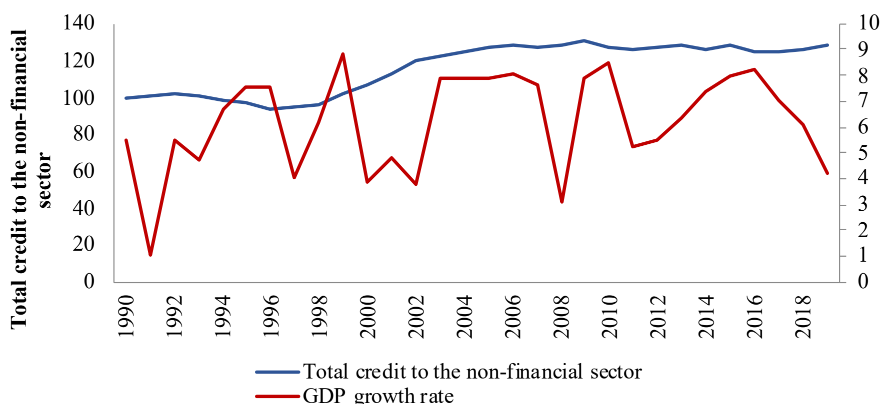
Notes: Gross Non-Performing Loans (GNPL) (as % of loans), Net Non-Performing Loans (NNPL) (as % of loans, minus provisions), Return on Assets (ROA) and Return on Equity (ROE).
* PSB, ** In USD Billion
Source: Authors' calculations based on annual bank reports data, on March, 2020, and Bombay Stock Exchange (BSE) data, as of September 24, 2020

Regarding the other banks, whose situation was not so fragile, their position was better to deal with the pandemic. However, the private banking sector remains the most profitable and could continue to do so, having the HDFC Bank as the most lucrative bank in the entire system with the lowest NPL ratios (Iyer, 2020a). This way, the inequalities and vulnerabilities of supervising such a large, diverse, and complex system can be appreciated.

COVID-19 came to stress the fragility of struggling financial institutions to meet their commitments, who preferred to improve their financial positions by avoiding risk. The drop in demand and the trouble to repay loans did not begin in 2020, there were particularly important signs of alarm since 2017, which were strengthened in 2019 (Chandrasekhar and Ghosh, 2019).

The reasons for this underlie an increase of credit to the private non-financial sector, which seeks to boost economic growth but stalls and does not seem to be able to keep pace, especially since 2015 (**Figure 7**). Though this might be explained by the credit crunch and the economic slowdown.

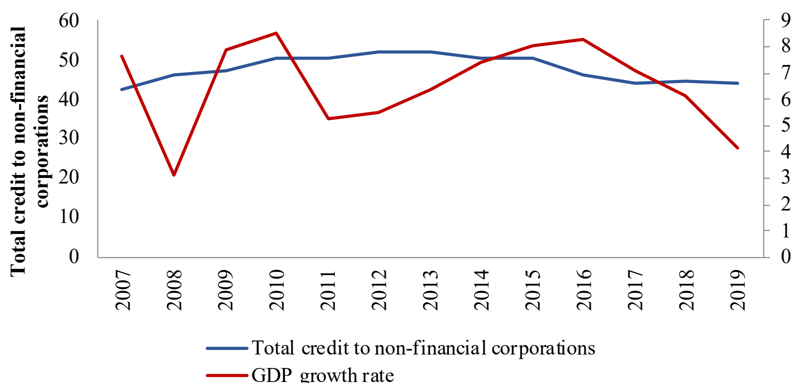
Figure 7. Total credit to the non-financial sector as a % of GDP, 1990-2019



Data source: World Bank (WB), 2020 and Bank of International Settlements (BIS), 2021.

The declining trend in credit to non-financial corporations began in 2015, and although GDP peaked in 2016, both indicators fell later (World Bank [WB], 2020) (**Figure 8**). Similarly, the explanation can be the financial institutions' risk aversion and the economic sector's incapability to bear the costs of new credits facing the dwindling GDP growth rate.

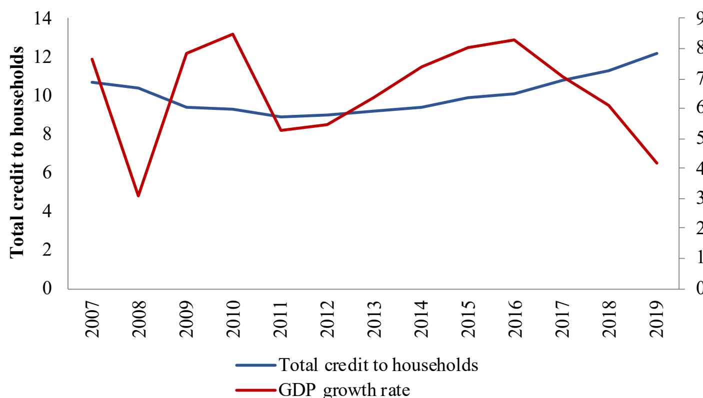
Figure 8. Total credit to non-financial corporations as a % of GDP, 2007-2019



Data source: WB, 2020 and BIS, 2021.

The credit to households has boomed since 2014, complemented by a significant economic growth until 2017, when the slowdown started (**Figure 9**). However, in 2019, a historic peak (12.2%) was reached, the highest since 2007, when this data began to be collected. This could be interpreted as a household's proclivity to borrow, despite the decelerating economic growth.

Figure 9. Total credit to households as a % of GDP, 2007-2019

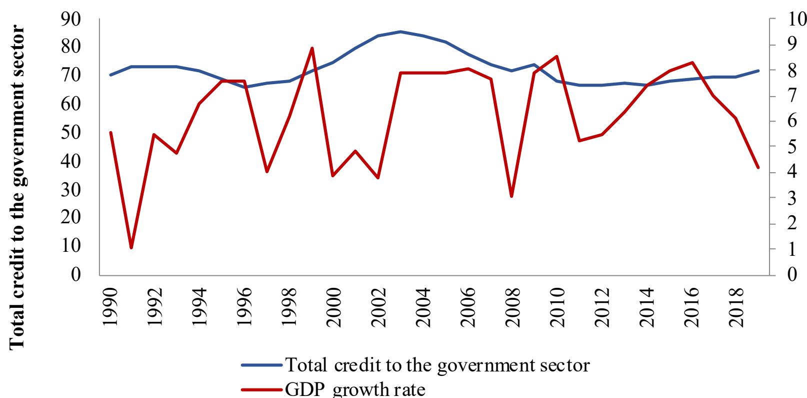


Data source: WB, 2020 and BIS, 2021.

The credit landscape in the Indian economy reveals divergences. Downward trends reflect the credit tightening (**Figures 7 and 8**), and yet, consumer credit increased (**Figure 9**). Coupled with the slowdown

in the economy, the NPL's buildup exposes the failure to pay for borrowings that had already been obtained.

Figure 10. Total credit to the government sector at nominal value as a % of GDP, 1990-2019



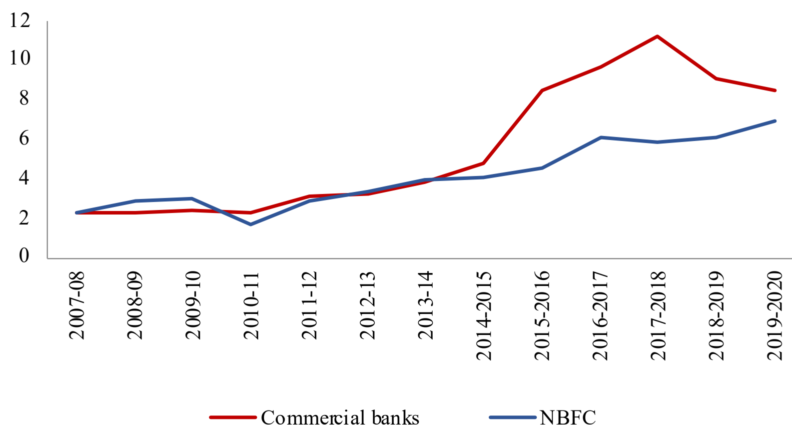
Data source: WB, 2020 and BIS, 2021.

Credit to the governmental sector data shows that a peak of 85.2% of GDP was reached in 2003, and has subsequently fallen to stagnation since 2011. This indicates a strategy to limit government borrowing despite sharp declines in GDP during 2008 (3.08%) and 2011 (5.2%), besides the peaks in 2010 (8.49%) and 2016 (8.1%), in contrast to the period 2000-2005, when credit to the government sector grew the most (**Figure 10**).

Systemically important NBFCs' and banks' GNPLs experienced a strong growth rate since FY2014-15, and although the former continued increasing, the latter started declining since FY2017-18, coming in at 6.9% and 8.5% in FY2019-20, respectively (**Figure 11**).[31] PSBs have reduced their NPL amounts. However, private ones have increased them, with the most delinquent industries being: construction, gems and jewelry, engineering, and mining products, which were hit by the decline in foreign trade (RBI, 2020b). Industry and services are the largest contributors to shadow banks' NPL upsurges (RBI, 2020b).

31 The RBI admitted, in its Report on Trend and Progress of Banking in India 2019-20, that the data on banks GNPL ratios do not yet reflect their stress obscured by the 2019 moratoriums, hiding the true assets' quality and the implications of this for financial stability.

Figure 11. Commercial Banks and NBFC-ND-SI GNPL Ratios (%) Trends, 2007-08-2019-20



Note: NBFC Non-Deposit taking Systemically Important (ND-SI), is a shadow bank that does not accept/hold public deposits and has total assets of INR 1 billion and above as shown in the last audited balance sheet.
Source: Authors' calculations based on the Report on Trend and Progress of Banking in India 2012-13, 2017-18, 2018-19 and 2019-20 data.

In this way, the GFC undoubtedly stimulated that ratio in both types of financial institutions, getting worse from FY2014-15 to FY2017-18, when there was a descending trend, which was obviously steeper for PVBs. In September, 2019, as a regulatory forbearance strategy, the government decided to order PSBs not to declare their micro-, small- and medium-sized enterprises' (MSMEs) impaired assets as NPLs until March 31, 2020 to prevent bankruptcy and defaults. Thus, the 2017 capitalizations, credit risk aversions, and interventions in systemically relevant institutions helped reduce the NPLs, but failed to stimulate credit, demand and supply for goods and services, and cope with the global economy's slowdown. This credit-squeeze has a systemic nature, which goes beyond the NPLs' curtailment.

When the pandemic was declared, the scenario became even less promising, not only for India, but for everyone, regardless of how their particular strategy to mitigate contagion turned out. The challenge for the Indian government was the contraction of supply and demand under these circumstances, so various programs were established to support and boost the economy, which were harshly criticized, not for their

structure or purpose, but for their small size (Chandrasekhar and Ghosh, 2020; Chandrasekhar, 2020).

In 2020, the eight Indian core industries' output[32] contracted by -9% in March, and -38.1% in April.[33] The steel sector decreased by -24.1% and -83.9%, and cement by -25.1% and -86%, respectively, being the most affected activities (The Hindu Business Line, 2020b). Economic units related to these sectors struggled to meet their financial commitments. These eight sectors continued decreasing by -12.4% in June, -8% in July, and -0.8% in September, showing a declining contraction; even though, from April to September, the fall was -14.9% (Kwatra, 2020; The Hindu Business Line, 2020a).

Despite the pandemic, the lockdown was relaxed and social distancing was neglected. Pandemic-accentuated shocks affected the productive sectors and economic units in different ways, commensurate with their own financial strengths. For this reason, MSMEs are perceived as the weakest link in a chain of actors facing the economic consequences of the global health crisis. In the case of agriculture, industry, and services, the impacts are also differentiated, even among subsectors. For example, manufacturing and services were quite affected, but within services, the most severely troubled subsector was tourism, while agriculture was able to better avoid the negative lockdown effects (Ghosh, 2020a).

For the first quarter of FY2020-21, figures exhibit a GDP drop of -23.9% —highlighting manufacturing, construction, and trade with -39.3%, -50.3% and -47%, in that order (Jagannath, 2020).[34] Fitch Ratings (2020), with GDP data for this FY, calculates a contraction of around -10.5% —when three months earlier it projected -5%—, whereas the Investment Information and Credit Rating Agency of India (ICRA) and Moody's estimated falls of -11% and -11.5%, respectively (Jagannath, 2020a; The Hindu Business Line, 2020). Forecasts may get worse, based on MSMEs data and the evolution of their outstanding debts.

32 The eight core industries are coal, crude oil, natural gas, refinery products, steel, electricity, cement, and fertilizers.

33 In March and April, lockdown was fully implemented.

34 This is judged as the largest quarterly drop since the start of the publication of these statistics in 1996.

Borrowers' ability to pay and the quality of banks' assets are at stake. The ICRA manifests the likelihood of banks' GNPL ratios worsening, accounting for 11.3% or 11.6% at the end of the FY, compared to the 8.6% in March, 2020 (Gopakumar, 2020). Undoubtedly, increasing banks' credit provisions will impact their profits. According to the RBI data, banks show a credit risk exposure of nearly US $30.8 billion to real estate, over US $6.1 billion to tourism and hospitality businesses, and almost US $4 billion to aviation firms —all sectors previously considered as severely disrupted by the pandemic— towards the end of April (Gopakumar, 2020).

Describing this uncertain picture, RBI governor Shaktikanta Das stated, in July, 2020: "The economic impact of the pandemic… may result in higher non-performing assets (NPAs) and capital erosion of banks. A recapitalization plan for public sector banks (PSBs) and PVBs has, therefore, become necessary." (Kaul, 2020). Kaul (2020) estimates that if one twentieth of the loans in the government's moratorium plan, as of August 31, 2020 —mostly in PSBs and MSMEs— fell into default, the amount of bad loans will reach about 160 billion; but if one-fifth of them are defaulted when the moratorium is lifted, the amount of non-performing loans would reach about 268 billion, more than double the current level. This is without mentioning the shadow banking system's NPLs.

Hence, there is a debate about the use of these moratoriums by bestowing a certain amount of time to not declare unpaid loans as NPLs, avoiding banks' and borrowers' greater restrictions and problems, but risking the growth of a snowball effect (Ray, 2020). This reflects the concentration and centralization of capital and the accumulation of NPLs in the Indian banking system.

Austerity has been the guideline imposed by the MOF. For example, in July, 2020, Fitch Ratings (2020) estimated that "Indian banks could face additional capital requirements of between 15 billion and 58 billion USD to meet a 10% weighted-average common equity Tier 1 under various stress scenarios for the next two years". However, the government announced in September an injection of capital of only US $2.7 billion to address the challenges arising from the health crisis over the next couple of years (Fitch Ratings, 2020). Therefore, the privatization of smaller and less profitable PSBs is imminent, leaving only five state-run

commercial banks in the system (Ahmed, Anand, and Reuters, 2020; The Hindu Business Line, 2020). This can be seen as a sale of assets to improve the government's financial position, weakening its strategy of financial inclusion —among others- as a lever for development. With the aim of avoiding fiscal deficit growth, borrowing was ruled out as a tool to give the government ampler room for maneuvering, despite a fiscal deficit of over 73% of GDP in early 2020 and having already been contracted two-thirds of the annual planned debt by June (IMF, 2020; Ghosh, 2020, 2020a; Fitch Ratings, 2020; Kaul, 2020a).

For Wray (2011), the GFC had to result in a government with a greater role and a new economic paradigm, which recognized the possibility of achieving social justice, full employment, and price and monetary stability through appropriate policies. In that sense, COVID-19 is a more serious disruption and reveals deeper contradictions, meaning a departure from conventional austerity. By contrast, the RBI and the central government are working in tandem to revive the economy, albeit with the absence of unconventional or extraordinary public policies under current circumstances. This situation threatens the state and society, making them more vulnerable as the government keeps and preserves a very narrow point of view of the situation (Phukan, 2020).

The RBI injected nearly US $50 billion through Targeted Long-Term Repo Operations (TLTRO),[35] the cash reserve ratio was cut by 100 basis points to 3% of net demand and time liabilities, and accommodation under Marginal Standing Facility hiked from 2% of Statutory Liquidity Ratio to 3%, costing in total US $48.62 billion. In April, nearly US $13 billion were injected through TLTRO and the development banks' refinancing package, as well as nearly US$6 billion of a Special Liquidity Facility for mutual funds (Iyer, 2020b).

In May, the MOF made several announcements, such as a collateral free automatic loans scheme to MSMEs, 100% of government-given credit guarantee cover to banks and NBFCs on principal and interest for nearly US $40 billion; a special liquidity scheme for NBFCs, House Financing Companies, and Microfinance Institutions for over US $4 billion;

35 In March, 2020, RBI measures began and the MOF subsequently deployed a response to mitigate the lockdown effects on the Indian economy.

a Partial Credit Guarantee Scheme for NBFCs, first 20% loss borne by government for nearly US $6 billion; and a tax rate reduction for nearly 6 billion (Iyer, 2020b).

As of January 2021, a two-year plan was established to restructure companies' debt,[36] and to not declare it as NPLs for that period. In addition, the Emergency Credit Liquidity Guarantee Scheme was extended until March 31, 2021, under which a total amount of nearly US $27 billion was sanctioned (Ojha, 2020).

Reading all these figures, the Indian government appears to be using a considerable amount of funds to revive the economy. However, the total amount would only constitute approximately 3% or less of GDP and would not represent an extraordinary outlay for the Indian treasury (Agarwal and Srivas, 2020; Ghosh, 2020a). In essence, New Delhi has a detailed diagnosis of what has happened and how the Indian banking system has changed, so the question would be whether government policies are adequate and sufficient, not only to get out of recession, but to sustain and subsequently raise the well-being of the population beyond injecting liquidity, lowering interest rates and cash reserve ratios, offering credit guarantees, and executing quantitative easing.

Final remarks

This article highlights three elements: 1) the concentration and centralization of capital is an expected process during a crisis; 2) deregulation and opening up of the banking system accelerated during the pandemic and may lead to a new banking stage; and 3) the fragility in the Indian economy was accentuated by COVID-19, but did not provoke it.

The reconfiguration of the Indian banking system is condensed into three main stages, with an institutional criterion: 1) the import substitution industrialization process, characterized by direct state intervention, nationalizations, and the instrumental use of PSBs in the economic development strategy (1947-1990); 2) a process of gradual and calibrated

36 In November, 2020, this plan was set up, in addition to the moratoriums aforesaid.

liberalization along with a more veiled government role, distinguished by support for the setting-up of larger PSBs —emulating world-class institutions— while giving an ampler room for maneuvering to the private sector banks (1991-2009); and 3) a post-GFC phase with a recession of the national and global economy, greater accumulation of NPLs, an insidious credit tightening, and more frequent megamergers —reflected in a greater concentration and centralization of capital, as well as being encouraged by a profounder financial deregulation process.

It is important to highlight the differences in practices between the PSBs and PVBs. The former have been encouraged to keep part of the highly indebted non-financial corporate sector and their stock-holders alive, despite a regulatory forbearance and the credit provision rules relaxation; the latter have had the chance to reduce their NPL ratios and increase their profitability, with important exceptions such as Yes Bank —which proves that even among PSBs and PVBs there is diversity, distinctions, and dissimilar vulnerabilities. From a Minskyian point of view, it is quite interesting that the state-owned banks were following these banking motivations and risky practices, tending towards money manager capitalism or riskless capitalism. The bank's ownership seems to not be that relevant; however, the bank's management and practices defined by the Indian institutional structure, its enforcement, and the relationship between the government and the promoters seem to be. Therefore, heterodox approaches are able to give original and significant insights to the banking systems analysis, independently of if they are related to an industrialized or an emergent economy.

Since 2016, there has been a slowdown in the Indian economy, caused by domestic factors, such as demonetization, credit crunch, the volume of the corporate sector's, banks' and NBFCs' NPLs, and external factors, such as the residual effects of the GFC and the recession of the world economy. For that reason, the COVID-19 pandemic did not fully produce the current crisis. However, it serves as an excuse for boosting the Indian economic deregulation, whose verve mirrors the state of concentration and centralization of capital process, particularly in the banking sector. The supply and demand distortions caused by the pandemic —and the lockdown— negatively impacted India's economic growth and development strategy.

The 2017 PSBs' recapitalizations helped reduce NPLs, but credit to the non-financial sector was not substantially increased. Shadow banks still need support during the pandemic, and there is a vast debt-inhibiting uncertainty on the businessperson's part. The austerity is embedded in the public sector, which has not allowed economic revival to begin more forcefully during the *unlockdown* (Mishra, 2020).

Since the beginning of the 2020's, a deepening of privatization and greater participation of the private sector opened up. On November 19, 2020, the first foreign privatization took place, when Lakshmi Vilas Bank defaulted and was acquired by the Indian subsidiary of the Development Bank of Singapore. This was a step promoted and negotiated by the Indian government, something unprecedented in the history of the Indian banking system. Simultaneously, government working groups recommended converting the largest shadow banks into commercial banks and allowing industry groups to acquire licenses for commercial banks, enabling the breakup of an old taboo, and an even vaster concentration and centralization of capital in the banking system. This whole process is slow, but steady. Succeeding research will be able to analyze it from a broader perspective. The unresolved lines of research are: the full implications of the IBC on the concentration and centralization process, especially the ones linked to the resolution on bad loans; the definition of a new stage in the future and the success of it, taking the government's disinvestment goals, the banking privatization, and a possible *foreignization* into account; the NPL problem's evolution after the government moratoriums; and where the institutional changes in the Indian banking system will be headed.

Finally, COVID-19 deepened and worsened the fragility of the Indian banking and non-banking financial systems. The lockdown and social distancing produced an environment suitable to enable the management of NPLs through moratoriums and other measures. The scope of the crises in the Indian banking system, due to their magnitude, is unpredictable. In this work, the development of the deterioration during the recent years has been exposed in the context of the financial deregulatory process. Recovery will hardly be fast, rather, it will undoubtedly be complex, non-linear, and uneven.

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The Subsumption from Real to Financial in India

Romar Correa[1]

Summary

The production of and investment in Basics and the working class in India is shrinking. Instead, the economy is opening up to a phantasmagoria of financial instruments. The outcome is that those with initial endowments of wealth are getting richer, and those with nothing to sell but their own labor power are vanishing from view and statistics. We trace this process and draw out the implications.

Introduction

The phenomenon referred to in the title of the paper is not exclusive to India. "Financialization" is a term coined elsewhere. India's contribution, however, might be unique in the unabashed pushing and shoving of the economy in that direction by the ruling class. Capitalist processes have their way. For instance, firewalls between financial functions erected by regulators are blown away by the arbitrage principle. Thus, universal banking holds sway by the forces of competition. However, way before the current government came into power, universal banking was touted as the way forward. Textbooks chart the way from competition to monopolization. Consolidation of

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banks into a few too-big-to-fail behemoths is an outcome of a laissez-faire approach. The conditions for mergers and acquisitions in the industry are established in theory and market practice, although the generalization to financial institutions is not easy. In India, on the other hand, the government is in possession of a plan to merge bank groups. This timetable is considered private information, and is released when the occasion demands it.

In other words, the direction the Indian government is taking towards hands-off on the one hand and involvement on the other is ambivalent. We welcome and salute regimes whose sights are set clearly on local-level planning and democratic participation, with policies solidly and courageously addressing the violent inequalities most societies suffer from. An interventionist government committed to social welfare would dive right into the political economy of production and distribution. Indian agriculture has gone hoarse, crying out for consolidation of tiny landholdings, large-scale and technologically-up-to-date capital investment, and drip irrigation schemes. The perversity of floods in one part of the country coexists with droughts in another. Solutions like canal connectivity are technical, while sharing of river waters is political. A retreating government, au contraire, abdicates this responsibility. A venal coterie will profit obscenely by relegating this activity to financial contracts. An anti-democratic government spits in the face of farmers. The difference between the dispensation of the present regime and earlier attempts at privatization is that the latter were half-hearted, and protests against them were heard and respected. At least putative justification was provided in continuously loss-making enterprises. Importantly, there was to be no climbdown from the 'commanding heights' of the economy in the form of sectors critical to the planned economy. Right now, not even lip service is paid in distinguishing between chronically malfunctioning enterprises and fundamentally viable businesses. The basic difference between essential public enterprises and inessential public enterprises is dropped.

The next section looks at the government of India with the benefit of hindsight. The following section reports on the collapse of the real in India. A special treatment is afforded to the crowding out by the financial in the fourth section, in an appraisal of the acclaimed National Monetization Pipeline (NMP) rolled out by the government. The daily newspapers are full of horror stories about the crushing of the real by the financial in India,

that somehow escape the closing window opened by government censors. The report in the fifth section is cut short by the submission of this paper. The conclusion is a summary.

The Indian state: the present as past

Finance in the form of speculation is regarded as a component of the capitalist system that generates surplus value within capitalism (Bear, 2020). The category of "speculative labor" is proposed to embrace activity that does not just anticipate the future but stimulates its emergence and controls it. Also, the concept of performativity is used to characterize risk-mitigation as an interface between a central bank and the City. Financial markets are constituted, as it turns out, by large chunks of ignorance and alternative knowledge systems and stories. Thus, Quantitative Easing is proclaimed to assuage jitters in financial markets, and the announcements succeed in doing just that. The result is the strengthening of the vice-like grip that financial corporations hold over non-financial corporations. Finance as a source of expropriation goes back to colonial exploitation, and has been illustrated in the case of the Indian Railways (Bear, 2020a). The current push towards financialization is a modern manifestation of the colonial calculations of future risks and state underwriting. Modern public works, like before, are being transformed into international circulatory networks. Marx analyzed these issues with the UK Railway Mania of 1842-47 and the collapse of railway shares that led to the fall of Overend Gurney in 1869. Marx's reasoning was that fixed capital was a locus of contradiction in the capital circuit. The rhythms of fixed capital in the instruments of capitalism and transport were not in sync with the commodity circuit. Capital is immobilized, and the realization of surplus value delayed. What's more, in this form fixed capital is akin to labor. Surplus value is extracted with no prospect for the return of capital to its full reproductive state. He argued that a temporary fix would be the redeployment of the social profit product being reissued in exchange bills and coupons. However, this 'solution' resulted in the further issuance of financial contracts in a speculative spiral. The end result was the expropriation and centralization of capital by speculators and financial firms. The lesson for us is that it is both necessary and sufficient that the entire decentralized

network of roads and ports be captured in a centralized network, with a node that calculates the present value of future incomes. The Indian Railways originated from the plan of an engineer entrepreneur, Rowland MacDonald Stephenson, whose ambitions were no less than building a railway network to straddle the globe. The key to his success was a pamphlet from 1844, wherein he evoked the vast uncertainty of the enterprise, and then proceeded to dissolve it with estimates and evaluations. On the one hand were the peculiar features of the Indian capitalist class, on the other, the stability of colonial rule. Stephenson assured investors a return rate exceeding the return on capital invested in the Birmingham-London railway link. This was due to the affordability of labor and materials, as well as the low cost of land if purchased by the government of Bengal, on behalf of the East India Company (EIC), as befitting a public work. One of the biggest outlays for railways in Britain was the wide compensation to landowners. In India, the government assured investors they could seize land by force. In the end, railway companies were assured a guaranteed (de-risked) rate of return on the capital they deposited to the government for the duration of the 99 years of their contracts. Companies could terminate their contracts if the railways did not turn a profit, and the government would return the capital to the shareholders. The government might pay taxpayer money to the companies on 'bad' years, which was to be repaid on 'good' years. The railway company and the EIC would divide the surplus. Shareholders could convert their investment into tradable debentures on the London Stock Exchange. The investment, however, turned out to be a catastrophic failure. As a result, an alternative calculus of profitability, founded on nationalism, began to be forged, starting with Dadabhai Naoroji. Later, Romesh Chandra Dutt challenged the social cost-benefit analysis underlying the railways in the face of cheaper and environmentally-friendlier canals that could have been constructed instead. Finally, railways began to be studied as an integral component of a planned economy. Following independence, railways were expected to provide employment, fares for mass travel, and tariffs to stimulate exports, as well as to develop the internal market. Railways continued to pay an annual dividend to the government, based on the capital held at a rate slightly higher than the average borrowing rate of the government. Any amount spent on improvements was no longer regarded as part of this debt. The renewal of circulating capital was through a Depreciation Reserve Fund (DRF).

The DRF was replenished from revenues. The fixed capital came without debt. This activity was disconnected from the rhythms of international finance. The central bank or commercial banks could be leaned upon when occasions demanded it. This direction began to reverse into a quasi-colonial setup in the early 1990's. All public works were termed infrastructure and opened to international investment. Foreign capital was seduced by guarantees. The government would hold equity in private projects or provide guarantees to shareholders.

The collapse of the real

The Indian statistical system was a matter of pride and joy. Coverage was not complete, but in a candid and productive engagement with the limitations, and the country's finest scholars contributed to improvements, both in extension and intention. Indeed, the debate surrounding National Income Statistics sheds more light than heat. The regime in power set about punching holes in the fabric of the statistical system, for no other purpose than to show itself in a good light and previous governments in a poor light. We revert to the best of scholar studies to disentangle the debate surrounding India's GDP estimates (Nagaraj, 2021). The author confines himself to manufacturing sector output. In the new National Account Statistics (NAS) series, private corporate sector (PCS) output or gross value added (GVA) is estimated by using the filing of financial returns by companies registered with the Ministry of Corporate Affairs (the MCA-21 database). The limitations of this source are: unverified financial reports with internal inconsistencies, unaudited quarterly financial reports, and an unknown distribution of operating companies.

Today, the contraction of the real in India assumes different forms. A recent study by the State Bank of India (SBI) has estimated that the share of the informal economy has fallen to a minuscule one-fifth of GDP, in contrast to the steady-state 52% of GDP in 2017-2018, as per the latest official estimates. The connected statistic that is distressingly not considered is that the alleged decline in the share of the informal sector in GDP has not been accompanied by a reduction in the share of employment in the same sector. Data from the annual Period Labour Force Survey

(PLFS) from 2017-2018 and 2019-2020 reveals that the share of employment in non-agricultural informal enterprises increased from 68% in 2017-2018 to 69.5% in 2019-2020. The increasing share of the formal sector in GDP but decreasing share in employment only widens the duality between the sectors. The increase in the share of the formal sector in GDP due to the pandemic is the consequence of large formal enterprises crowding out informal enterprises. It needs to be emphasized that the increase in formalization is not a result of small and micro enterprises transitioning to formality. Also, formal enterprises have rationalized their labor force. Fired workers are forced to swell the ranks of the informal sector labor force.

In the usual binary mode of thinking, the implication drawn from the shrinking of the informal sector is that the formal sector is expanding, but nothing could be farther from the truth. Rigorous theorization of the labor process is called for. Meticulous ethnographic analysis is likely to be superior to the collation and manipulation of statistics (Breman, 2021). The evidence tells of the rapid rise of those at the upper end of the labor hierarchy, to their eventual escape from the proletariat altogether. At the other end is a large number of the workers, driven remorselessly to poverty and destitution. With their increasing vulnerability, class consciousness and class action become remote. Immiseration swamps the freedom to seek wage labor. If the spirit of entrepreneurship is to be infused in the echelons of the dispossessed class, labor rights must be enforced and jobs created. Instead, the four labor codes recently introduced, on wages, on occupational safety, health, and working conditions, on social security, and on industrial relations, serve to inexorably slice and dice the working class. The privileged segment of the economy, on the other hand, blooms and flourishes. Blandishments like public-private partnerships mean that inputs are supplied by the treasury and net output is expropriated by mercantile capital.

According to the latest data from the CMIE (Centre for Monitoring the Indian Economy), the unemployment rate rose from 6.9% in September to 7.8% in October. The labor participation rate dropped from 40.7% in September to 40.4% in October. A quirk in the overall picture is a huge 5.3 million increase in "business people". The truth is self-evident. Those who do not find decent work find some mode of self-employment.

National Financialization Pipeline

Everybody is agreed that money is connected to banks, especially the central bank. It originates from a loan by the former and even the latter, when the central bank acts as the 'lender of first resort'. Schumpeter rightly regarded banks as the "ephor" of the system, as they gave shape and direction to the endeavors of the entrepreneur. A loan creates a deposit. According to the monetary circuit, the first step is one in which the businessperson uses the loan to pay the wage bill and meet the demands for production. Workers spend their income on Basics. The expenditure cycles back to companies as profits. The firms honor their commitments to banks with interest and the circuit is closed. The accounting framework is extended to include savings and investments. The point is that bank money and central bank money are points in a continuum. After all, central banks were members, and then leaders, of the club of banks. The strategies and actions of the Indian government run in a direction opposite to nurturing the monetary relationship. Instead of support to the beleaguered banking sector, the government actively supports disintermediation and the collapse of banks into financial institutions. The Reserve Bank of India (RBI) is a devotee of financial interests. The commitment to a regime of low interest rates is the commitment of an agent to two principals: the government and the financial markets.

On August 10, 2021, a government secretary stated that the government was on standby with a colossal "monetization" plan, which includes national assets like pipelines, power transmission lines, and stretches of national highways. The big disinvestment packages included the privatization of the retailer-refiner BPCL, as well as LIC, the standard bearer of life insurance in the country. The purpose of the monetization of these assets is the consolidation of the government's fiscal position. The Finance Minister launched the NMP on August 23, 2021, consisting of the central government's brownfield assets like pipelines, power transmission lines, and portions of national highways, so as to generate finance for new infrastructure projects. The NMP represents the abdication by the state of society. All assets in the public domain are to be transferred to private hands. In other words, roads, railways, ports, telecom, and life insurance, amongst others, will be managed by private capital. The claim by the government

that it will continue to own the assets is coy and disingenuous. It can quickly be dismissed by the following fact: The monopolization of assets in India is shameless and already underway. What is the nexus between ownership and control of airports and ports? What is the extent of government influence over the decisions of the corporations?

The word monetization in the touted National Monetization Pipeline is just plain wrong. Banks and the RBI have no role to play in the scheme. The intent is to liquify or financialize as wide a set of core physical assets as a country can contemplate. The invitation to global finance is puzzling from the viewpoint of incentives. High finance enters where returns are high and volatile. Footloose and fancy-free finance, especially, is risk-loving. Portfolios are marked to market and going long or short are strategies. As elaborated below, the NMP contains none of these components. At the same time, the finance credentials of the government in specifying structured financing vehicles are impeccable. The transaction would involve investor pools under capital market instruments. The institutional investors targeted are sovereign wealth funds, global/ domestic insurance funds, and pension funds. The structures are the Infrastructure Investment Trust (InVIT), the Real Estate Investment Trust (REIT), and asset-backed securitization. So as to induce debt financing of InVITS and REITs by foreign portfolio investors (FPIs), the Finance Act of 2021 has a provision for amendments in the Securities Contracts (Regulation) Act, 1956, to recognize InVITS and REITs as "securities". Companion modifications in the SARFSESI Act and Recovery of Debts and Financial Institutions Act are undertaken. While road connectivity in the hinterlands of India in particular is pathetic, highways with four-lane traffic are planned. Measures like electronic tolling will improve the "willingness to pay" (Niti Aayog, 2021, p. 30). The silence on the 'ability to pay' is deafening. Land is defined as a "non-core" asset, and a hidden agenda of the Pipeline is to expropriate vast tracts of land for profit. Public sector companies occupy huge landholdings in high-value real estate enclaves. The land is freehold or underutilized. The REIT device invites opportunities to develop these parcels commercially.

Under an Operate-Maintain-Transfer PPP formula, the presumption is that construction works have been completed by the asset owner/ government, and that the project is ripe and ready for immediate flow

of revenues. Specifically, the asset must have operated over one complete cycle without fuss. The government has selected a menu of mature and low-risk asset classes for investment. Stable demand and return over a range of 25 to 60 years are ensured. A set of de-risked and brownfield assets with stable revenue generation has been selected. The government is hiving off its stake in all enterprises, regardless of their profitability and importance for social welfare. Secondly, the objective is not a turnaround (if such a case can be made), but the liquidation of factories and farms into financial swaps and options to be bought and sold in active asset markets. It is impossible not to take the next step into the international financial circuit. Catchy terminology is supposed to captivate. A repeated phrase is "unlocking value". The connotation might be that value is trapped and crying for release, or it is not there in the first place and will be infused with the substance, along with the liquefaction of the assets. An alternative approach to the notion would be a tooth-and-branch engagement with the goods and services. Attracting capital, reorganizing production processes, junking obsolescent techniques, and installing latest technology would call for Planning instead of Niti Aayog, the project planning division of the government that supplanted the Planning Commission. Reflecting the bias towards investors against their clients, the Budget for 2021-2022 dropped dividend distribution tax, payable at the level of the individual trust, but introduced it in the hands of the unit holder in the form of a dividend withholding tax. In other words, the overall reviled shareholder value maximization model that has laid low investment, R&D, and innovation among the corporate elite in the US is embraced in India. Bonanzas are offered to state governments in the form of 50-year interest-free loans in the event of successful asset liquidation and disinvestment by state government entities. Additional sops include allocations to the tune of 33% of value of assets financialized to be deposited in state-consolidated funds.

Illustrations of the violence unleashed by the regime and a prelude to the next section is the section on "Mining assets". There is a "strong policy push by the government to open up this sector" (Niti Aayog, 2021, p. 71). The Mineral Laws Amendment/Act 2020 encourages active participation by the private sector by abolishing end-user restrictions on coal assets. Once a mineral block is auctioned, forest, environmental,

and other statutory clearances are a cakewalk. Environmentalists fear that the push to coal mining will only aggravate the situation of acute water shortage. In the state of coal-rich Jharkhand, mining of the polluting fossil fuel has created a situation of water scarcity from water surplus.

On July 12, 2021, the central government took complete control of district mineral foundation (DMF) funds from states. Thereby, the states' right to sanction or approve any expenditure out of the funds collected through mandatory contributions from mining leaseholders has been taken away. As per the MMDR (Amendment) Act, 2015, state governments were appreciated for establishing DMFs in all districts, in the interest of the welfare of people affected by mining-related operations. Tribals are chiefly impacted upon. Lease holders were required to contribute to not-for-profit foundations as a percentage of royalty, in addition to the royalty paid to state governments. The guidelines stipulate that 60% of the funds must be utilized for 'high-priority sectors' like drinking water supply and education. The remainder 40% is intended for 'other' priority sectors, like physical infrastructure, energy, and cowshed development.

In a September, 2021 letter, the Ministry of Environment, Forests, and Climate Change pushed to delink projects associated with mines from standalone projects. Accordingly, any infrastructure scheme, roads, railways, or transportation belts could be considered as standalone. On October 2, 2021, residents of Mulloorthotam woke up to find themselves blocked from access to their homes through a road they had been using their whole lifes. The Vizhinjam Port authorities, owned by Adani Ports, had started construction of a boundary wall. The Gond tribe of Hasdeo Aranya, the largest and oldest stretch of forest land in central India, is on the verge of losing its habitat in the face of an onslaught of coal mining. An Indian Council of Forestry Research and Education report published in September, 2021 stated that mining in the region would aggravate the human-elephant conflict, as well as adversely affect the hydrology of the area. It is Adani again, one of the two or three monopolists, that preys over the economy with the blessings of the government.

Over October 25-27, 2021, thousands of tribesmen from blocks in the Gadchiroli district staged an agitation against the iron ore mine belonging to Lloyd Metals and Energy Limited, for allegedly violating laws such as Panchayat Raj (Extension to Scheduled Areas) Act or PESA Act,

Forest Rights Act (FRA), and Maharashtra Gram Panchayat (Village-Level Committee) Act. Consultations with the affected committees were not undertaken. The protestors allege that the resulting pollution would be vast, and that the rights of forest management granted by the FRA to gram sabhas (local committees) would be violated. In addition, the hillocks where the leases were granted were homes to tribal deities. The government was riding roughshod on religious and cultural practices, as Lloyd Metals was to use high-impact explosives. The lives of people and animals were in jeopardy. The claim that the project was employment generating was hollow, as the forest dwellers were perfectly content earning income from harvesting tendu, bamboo, and other minor forest resources under rights granted by the FRA. Physical infrastructure is not fungible vis-à-vis political economy. Rural road connectivity is desperately lacking, while unnecessary multi-lane highways are being constructed elsewhere. The former is a basic commodity, a good or service required as input and output in the production of other goods, whereas the latter is a Non-basic commodity, a non-essential good or service. For example, the Warli tribesmen in Nimbavali, Maharashtra, were duped into sacrificing their lands and homes for an eight-lane highway running through twenty-one villages, connecting Mumbai with the Prime Minister's home state (Kale, 2022). They were lied to ten years ago when government officials explained their visits as investigations for water resources. Apart from the fruit, tubers and root vegetables that will be uprooted, the cohesive community will be hacked by a road halving the tiny hamlet.

Narrative Political Economy

Fresh illustrations of the route that is elaborated upon above are daily fare in the newspapers. The rot is brimming over, and the stench escapes even the expanding stink-fighting expertise of the ruling junta. Excerpts from our diary are provided, cut short only by the due date for this paper.

The title of the paper is highlighted by an event on July 8, 2021. As part of a cabinet reshuffle, management of Public Sector Enterprises was transferred to the Ministry of Finance.

The front page of the Financial Express on September 22, 2021 contained two reports about Adani (Financial Express, 2021). The first concerned details of his $20 billion investment in renewable energy. The second report was the repeal of coal mine leases to Adani in Jharkhand due to gross irregularities committed. Once again, on the same page of the Financial Express on November 10, 2021, the Central Warehousing Corporation (CWC) had swayed the Supreme Court, alleging that Adani Ports Special Economic Zone (APSEZ) had usurped 34 acres of their land (Financial Express, 2021a). At the same time, Adani Group companies have declared their energy compact goals of COP26 as part of Sustainable Development Goal 7 (SDG 7).

The next meeting between the Finance Minister and the heads of public sector banks was scheduled for November 17, 2021, to "nudge them for credit expansion" (Free Press Journal, 2021, p. 7). If the Finance Minister played true to form, she would have berated the heads of banks for not lending enough. Bullied into submission, their losses would mount and the volume of Non-Performing Assets (NPAs) would rise. Echoing the point made in the Introduction, the need of the hour is the enhancement of credit appraisal and monitoring skills, along with pay and incentives to bank managers to make sure the blight of NPAs does not balloon. The opposite objective is to seek the demise of banks and, therefore, demonetization by another route.

In a letter to the Prime Minister, a retired top bureaucrat advised him to cease and desist the strategy of weakening a Public Sector Unit (PSU) and then "offer it on a platter to private companies" (Financial Express 2021b, p. 5). The case in point is that the Oil and Natural Gas Corporation (ONGC) is a citadel of the country's self-reliance in the area. The Oil Ministry is to strip the company of its main oil and gas producing fields. The company has been coerced into buying debt-laden firms or paying high dividends to its shareholders. Instead, the ex-bureaucrat has advised functional autonomy and strengthening of the company.

Agriculture is the axis of the Indian economy in the supply of food, the essential basic commodity. The salient fact about Indian agriculture, more durable than the weather, is the daily count of suicides by farmers, driven to extremes due to there being no exit from debt. It is common knowledge that around thirty people take their lives every

day for this reason. They must fight losing battles with multinationals and with price gouging both by formal and informal finance. Thus, Punjab was the breadbasket of India. Over the last five years, suicides in rural Punjab have increased twelve-fold. In the state of Telengana, at the other end of the country, twenty chili farmers killed themselves over the first two months of this year alone (Avadhani, 2022). The basics commodities mentioned in the Abstract might prompt a query about Non-Basic or Luxury Goods, commodities not required as inputs and outputs in the production of other goods. On November 10, 2021, the debut of a Beauty Commerce platform catapulted its founder into the single-member league of India's richest self-made women billionaires.

Conclusion

We summarize along two axes. The first is the idea of markets, which was brought up in the Introduction. All knowledgeable advocates of markets and the freedom to truck, barter, and exchange are alive to the dangers in crudely transplanting blueprints into actual economies. Conditions in the form of initial endowments of human and physical capital must be in the possession of the people. The economic process must generate income and provision for health, housing, and old age. All throughout the process, the state must not just be standing by, but actively providing where the market falls short, as it is likely to more often than not. Disenchantment with markets has escalated with the triumph of the financial over the real. The only clear victory at the recent COP26 summit on climate change was the commitment of global finance.

The second axis is the felt need to nurse and nurture cooperative or coordinated solutions to social problems. The environmental catastrophe is the obvious example of a solution that must be international. International monetary policy coordination continues to elude the world. Economies are coming to the realization that the traditional conflicts, between the monetary and the fiscal authorities, the authorities and the private sector, and between different classes, must give way to a cooperative equilibrium.

How does the Indian government react? Not just expenditures, but even lip service for education, health, nutrition, and care for the old has dropped. The private sector and global capital has risen to the occasion, and private schools, colleges, hospitals, and old age homes for the wealthy have mushroomed. State-level educational institutions have collapsed, and the meager social services are in disarray. On the subject of cementing fissures in society, the government has never swerved from its dedication to fomenting hate between communities, presiding over festering wounds caused by religion and culture. The swallowing of the real by the financial is a materialist manifestation of the Indian tragedy.

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Supply Chains, Innovation, and Foreign Direct Investment. Variables in Indian Foreign Policy

Soraya Caro Vargas[1]

Summary

This study on Indian foreign policy analyzes national interest from three perspectives that merit greater focus, as they link to economics, productive development, and the work of embassies in emerging countries like India: the global value chains (GVC), science, technology and innovation systems (STI), and outward and inward foreign direct investment (FDI). This article's premise is that diplomacy, as a foreign policy mechanism, has an intimate relationship with local development interests. Therefore, the definition of national interest impacts the formulation and implementation of state strategic decisions in the international arena. This is the prevalent scenario in India today for a scholar trying to understand its path of productive transformation and internationalization amid a pandemic.

The first part of the article gives context to the GVC concept and analyzes the work of the Indian state to deal with these dynamics, especially through economic diplomacy. The second part analyzes the evolution of the STI system in India and its relationship with the diplomacy of science. The third part of the article refers to the main findings of a recent advanced study on the attraction of Indian FDI to Colombia, the exit requirements for Indian FDI, conditions to attract those flows, and prioritization of industrial sectors. Finally, there are certain conclusions where sensitive planning is suggested for better integration with Asia and, in particular, India.

1 Ph.D. Political Science

Introduction

The rupture of supply chains and the reconfiguration of global value chains (GVC) during the pandemic have highlighted the importance of Asian economies as producers and providers of intermediary goods and services needed by global industries. These countries have surprised us with entrepreneurial networks that are engaged with innovation, specialization, and value addition, and have been able to respond to the increasingly sophisticated demands of their large markets. In a few decades, they have managed to diversify their export potential, increase their investment flows, and achieve rapid adjustment levels to meet the challenges of technological transformation, trade wars, and the effects of a 24-month-old global pandemic.

They have also implemented protectionist measures that invite their companies to reinvest in their own country to promote self-sufficiency. As global powers, they have chosen a narrower definition of globalization and have reconfigured industrial dependency and complementarity levels. This new geography of industrial activity has affected the productive dynamic of the other economies, especially those of developing countries in Latin America, which are highly dependent on raw material exports and, in many cases, have a minimal capacity for transformation, specialization, and diversification of their industrial production.

In a recent study by Matthew Daniels and Ben Chang for the Centre of Security and Emerging Technologies, it is stated that great inventions can change power calculations in three ways: 1) introducing new elements of power or create new conditions, such as access to basic raw materials for modern industrialization, state of the art organization of production, or the development of new economic activities; 2) innovations can change the importance or the ratio of the impact of existing power characteristics, for example how military maneuvers in georeferencing change how geographical barriers offer a balance of security and power between neighbors; 3) innovations change priorities between the main objectives and the intermediate objectives of the state (Daniels and Chang, 2021).

In an article titled Rediscovering the Transition in China's National Interest: A Neoclassical Realist Approach, Xiaodi Ye concludes that the

transition of national interest in China has had to pass through three stages since the 1980s: the country has gone from defensive national interests to constructive national interests, and now finally considers the national interest of the adversary as its fundamental interest. Its strategic decisions are responded to by neighboring countries, for example with the expansion of its economy through BRI, Belt and Road Initiative (Ye, 2019).

For India, the emergence of China as a great regional power, along with external and internal pressure for an alignment before the big powers, has forced a redefinition of its national interests. As a non-permanent member of the UN Security Council between June, 2021 and June, 2023, India worked towards the reform of security systems with an anti-terrorism focus, given its confrontation with Pakistan. The attainment of a regional equilibrium on account of Chinese expansionism, the promotion of supply chains, the relocalization strategies for Indian investments, and access to basic raw materials are some of the issues that its foreign office cites as national interests, both here and in other multilateral contexts (Pant, 2021).

Objective:

In the present geo-economic context, where Asian economies take recourse to neo protectionist measures to defend national interests, and shrinking global value chains make interdependence less predictable, this analysis tries to shed light on new economic variables that Latin American countries, in particular Colombia, should be aware of, so that economic integration with India can yield higher returns and be be more strategic and effective. For this, the linking of GVC, STI, and the attraction of Indian FDI is vital.

Methodology Concepts and Analysis

A transdisciplinary approach in keeping with the aforesaid is necessary for the economic variables of economic development to be analyzed. These include the linking of industries to regional and global value chains, the

correlation between foreign policy and STI systems, or the importance of foreign direct investment (FDI) that could generate externalities for economic and social development. It is vital to manifest the importance of these concepts in international relations and the definition of a country's foreign policy.

To focus on the concepts of GVC and STI systems, official reports and press reports from the Indian media have been used as secondary sources for state of the art information. To focus on the flows of Indian capital, the results of a recent joint study by the Externado University of Colombia and Procolombia in 2020 are revisited, identifying vectors and conditions that influence emerging countries like India.

Global Value Chains and the task of Economic Diplomacy.

The concepts of Global Value Chains (GVC) and supply chains have emerged as vital elements of the geoeconomic problem. They have been studied in disciplines related to business and foreign trade, and enhanced in the ministries of commerce and industry, trade promotion agencies, and the business chambers of several countries. The GVC and supply chains are links that have been characteristic of the productive activity of the world since the 1990s, and support the ideas of interdependence and complementarity between economies in the production of goods and services.

The GVCs are forms of interdependence and complementarity that influence the development of the forces of production and competitiveness in the markets. The emergence of the concept and its evolution can be attributed to the professor emeritus of Duke University, Gary Gereffi, who states the following:

> The GVC framework focuses on the sequences of value-added activities within an industry, from conception to production, end-use, and beyond. It examines the job descriptions, technologies, standards, regulations, products, processes, and markets in specific industries and places, thus providing a holistic view of global industries both from the top-down and the bottom-up (Gereffi, 2017).

The concept has been used to explain the present dynamic of international trade, how the different stages of production and consumption are linked, and the parallel existence of supply chains that assure the flow, storage, or delivery of raw materials and products from one geographical point to another. The GVC has been considered an instrument to energize the industrial development of emerging economies, acting as scenarios of cross-border work, mechanisms that influence the liberalization of salaries, labor conditions, and the formulation of public policy to prioritize the development of strategic sectors (Neilson *et al*., 2014).

In their analysis of international economic policy, the authors state that GVC also influences gender and equity, the responsible use of natural resources, and food security. This kind of influence puts pressure on public policy and makes the state a vital actor in GVC dynamics, either through its actions or absence. For these authors, the action or inaction of a state responsible for the construction of legal frameworks and functional infrastructure will define the economy's links to global markets. It is important to keep in mind that 70% of international trade comes from within the GVC (OCDE, 2021).

The accelerated and continuous technological transformation, or fourth-generation revolution, has had an unequal influence on supply chains and the composition of GVCs. The emergence of the Global South, with new poles of industrialization and wealth, trade wars, and finally COVID-19, disrupted the access to primary raw materials. In the last few years, this has led to a redesign of productive strategies in all latitudes.

The Indian Case

During the pandemic, faced with a scarcity of raw materials and basic inputs for its diverse industries, India promoted its own GVC by bettering the existing raw materials and diversifying its production base. Amid throes of a pandemic transition, this country is presented two scenarios: one in which the limitations in its competitiveness affect exports, particularly in industries that need intensive manpower, such as textiles, jewelry, or leather; and another in which India achieves certain margins of diversification in intermediate products and more sophisticated markets (Banga, 2021).

Around the whole world, the interruption of the supply chains due to COVID-19 in 2020, the maritime logjams, the container crisis, and an unpredictable demand made countries resort to diverse sourcing strategies, relocalization, and even changing their consumption patterns.

In that context, India did what it could to ensure the safety of its internal production dynamics, to supply its market, and to attend to the needs of the marketspaces it had conquered abroad.

The United States is the prime export destination for its generic pharmaceuticals. India exports spare parts, as well as all kinds of vehicles, machinery, and agricultural products to the European Union. Brazil and Mexico are destinations for their IT industries and plastics, as well as its vehicle exports. In this context, the great challenge for India is to de-glocalize its supply chains so that transport, storage, and distribution are opportune and viable. For this, India will rely on new allies in all continents and look for spaces of relocation near international production plants for its investments. This is what investment promotion agencies called nearshoring (PROCOLOMBIA, 2020).

Since the beginning of this millennium, Indian industries have shown specialization and diversification capacities that have made them ascend in value chains, with an export basket that includes nuclear reactors, boilers, machinery, vehicles, organic chemicals, and pharmaceuticals. Proof of this came in 2019, when there was a mid-level technology product increase in the export basket (Pandey, 2021).

Amid this crisis, India has streamlined the processes of digitalization, transformation, and specialization, as well as the readaptation of its companies to attend to the needs of the country and the world in the field of healthcare. During the pandemic, its multinationals have created production lines for personal protection equipment (PPE), such as masks, syringes, ventilators, special textiles, communication technology for health systems, and medicines, areas into which few of them had ventured before. By giving incentives, the government attracted FDI in 2020 for the local production of active ingredients and bulk drugs, so as to curb dependence on other providers, particularly China. It also gave a fillip to manufacturing clusters of electronics, conductors and semiconductors, and scarce goods on which the electric vehicle industries of today depend (Banga, 2021).

To surpass the competition and further the objective of diversifying the export basket, India joined forces with multiple actors in public and private sectors, such as a management chain, to defend production and supply. The role of foreign economic policy has been fundamental in the search for raw material suppliers the world over and in the negotiation of trade conflicts, not only related to market access and displacement of national production, but also to attracting efficient investment flows or making strategic decisions, like that of non-membership to Regional Comprehensive Economic Partnership RCEP.

The ORF report, Vision 2030 of economic diplomacy in India, by Malancha Chakrabarty and Navdeep Suri, is a roadmap for the future. It highlights the value of international relations, promoting the country as an investment and manufacturing hub. The authors observe the future of economic diplomacy in the following way:

> To promote its development interests, India must overhaul its approach to economic diplomacy. It must move beyond government-to-government negotiations and agreements to include more plural and diverse stakeholders, such as representatives from the private sector, academia, philanthropic institutions, and civil society, most of whom will be operating in distant locations. Economic diplomacy necessitates a collective beyond the government that will place the brand of India at the center of all diplomatic relations (Chakrabarty and Suri, 2021, p. 8).

[...] Brand India has much to offer—from vaccines and affordable medicines to sustainable development solutions and low-cost renewable energy opportunities. The economic diplomacy architecture must now start engaging with what the country can offer to the world, keeping the SDG and climate agenda at its core and India Tech as a vital offering that will underpin India's growth story during the Fourth Industrial Revolution (Chakrabarty and Suri, 2021, pp. 8-9).

Latin America should take cognizance of India's position as an industrial partner. The Asiatic country has global chains in which its companies are leaders, and in which Latin American companies need to gain access to be a part of the regional or global production network.

Science Technology and Innovation (STI) and Science Diplomacy in India

Besides continuous efforts to add value and links to advanced stages of production and supply chains, the evolution of the science, technology, and innovation system (STI) has been fundamental for the industrial transformation of India. The STI system has developed its own characteristics due to conditions that have been motivated for decades: the development of a basic research platform, self-sufficiency, a knowledge-based economy, and universal access to science, as well as the sectoral priorities that the state has planed to direct national interest, public policies like production incentives, exports, or making the entry and exit of investment flows flexible (Chaudhry, *et al*., 2018).

India is one of the largest growing economies in Asia, as well as a country with huge social, environmental, and technological challenges. Its investment in STI is only at 0.7 % of its GDP, but its evolution in specific areas is noteworthy (Balakrishan, 2019). According to the Global Innovation Index, it is amongst the 50 most innovative economies. India has the third-highest number of doctoral students, which gives an idea of the size of its higher education system. It also has a large number of start-ups or companies that make extensive use of new technologies to grow rapidly and become international (Department of Science & Technology, 2021). In 2019, Ambassador Bhaskar Balakrishnan was invited to speak at the Indian Ministry of External Affairs and describe how to achieve this level of industrial projection. The country has passed through four vital regulatory phases in the history of STI policy, prioritizing the social and economic development of the country and the linking of the private sector to that collective project and its competitive international projection. For decades, India has been working on the prestige of its brands, regionally positioning its productive sectors, and being a leader in governance in the international trade sphere.

A nation that had recently become a democracy and had tremendous social challenges managed to issue the 1958 resolution on science policy. This was a period when scientific advancement and pure research, along with applied sciences and capacity building, were given top priority. To achieve its objective of becoming an industrial economy, it needed

to ensure mass preparation of scientists, bringing about the famous Indian Institutes of Technology (Kaushik *et al*., 2020).

During this period, the modernization of agricultural production took place. Thanks to the cooperation of national and foreign scientists, new varieties of seeds appeared and irrigation systems and the use of machinery were developed. It was a process of industrialization that, in 1968, gave rise to the Green Revolution in India, and represented the beginning of the end of famines (Swaminathan, 2009), even though authors argue that there was a later impact on small farmers. In 1983, the legal framework started focusing on technological self-sufficiency, promoting the development and adoption of local knowledge. As in other Asian economies, the development of autochthonous technology went through a cycle of imitative duplication, creative imitation, and incremental and radical innovation (Amann and Cantwell, 2013). Industries of Information, Technology and Biotechnology developed and became international, making the United States and Europe the target markets. As Balakrishnan describes in his discourse, during the third phase, the legal framework of science and technology of 2003 had to confront the geopolitical challenges of an unstable region, with tension in the neighborhood and powerful actors with economic interests in the Indian Ocean. The times called for greater institutionalization and coordination between all the spheres related to development. Scientific infrastructure was modernized, and the use of internal resources began with the participation of the intellectual and business diaspora that started returning to their country.

As foreign policy strategies, such as Focus LAC[2], revealed, scientific and economic diplomacy had a more defined role, which went beyond the search for raw material providers. Embassies participated strategically in the promotion of India as a destination for FDI, research, and innovation. They promoted the return of professionals and the benefits of a more rigorous and trustworthy system of Intellectual Property Rights, in keeping with the precepts of the World Trade Organization and World Intellectual Property Organization.

2 Approach to Latin America program, the first version of which was launched in 1997 to strengthen links with the continent and gain access to the raw materials needed to fulfill the aspirations of industrialization. More information on the evolution of the Focus on LAC (Department of Commerce, n. d.).

The final phase that Balakrishnan had referred to began in 2013. The strategy sought a complete integration with the innovation of the science and technology system. It gave a fillip to scientific discoveries in vital sectors, such as the agricultural, aerospatial, and energy sectors. During this period, India began to participate in scientific mega-projects, global initiatives that heightened its prestige in multilateral fora and involved the country in scientific cooperation fields at the highest level. Since then, scientific diplomacy has been encouraged (Sharma *et al*., 2021).

During the last decade, the strengthening of science and technology-related departments inside the Indian state has been remarkable, especially in the Ministry of External Affairs. Harsh V. Pant, Director of Strategic Studies in the ORF, refers to the creation of the Office of Principal Scientific Adviser of the Government, responsible for the efforts carried out by India. These range from technological dependence assistance to the development of the international system. In the strategic agreements the STI system signed with almost all developed economies, India has emphasized its interest in making science and technology a priority in international politics. The Ministry of Foreign Affairs has introduced a cyber-diplomacy division, and another on electronic governance and emerging strategic information technologies in an attempt to manage these matters from the International Relations perspective (Pant, 2021a).

Exit Incentives and the Attraction of FDI into India

Industrial development, innovation, and technology transfer depend greatly on the inflow of foreign direct investment, capable of producing research, knowledge flow, formation of human capital, and the latest technological implementation, amongst other things. Since 2017, India is classified among the 10 countries that invest the most outside its territory. This, along with the development of some of its technology-based industries, has made it a strategic objective.

A study carried out between the Externado University of Colombia and Procolombia, to identify sectors in which the attraction of Indian foreign investment is most viable, as well as vectors for the exit of Indian investment flows, identified disrupted conditions set by those that influence

the exit of FDI from developed countries. It became clear that to attract FDI, new variables force states to design special incentives to compete for the investment. The pandemic that occurred during the midpoint of the study resulted in new strategies, like nearshoring (Caro *et al.*, 2020).

The rise of emergent economies as global investors broke the traditional premises of the eclectic theory of Dunning (2001), which is based on the trilogy of property, localization, and internalization (PLI). It has conditions that can vary depending on whether the company is horizontally or vertically integrated[3]. This phenomenon of new investors is analyzed by Knoerich (2019) in his article titled Re-orienting the paradigm: path dependence in FDI theory and the emerging multinationals. He analyzes how the new multinationals from emerging countries take non-traditional inducements into account to invest outside their territories, despite the risks involved.

As a developing country, India has strategically used the exit flow of investment, not only to internationalize its productive apparatus, but also as a means to foment the economic and industrial development of the country, capture markets with a bigger consumer capacity, and obtain productive specialization, position, and international recognition of its industries, linking them to regional and global value chains. India has invested outside its territory since the 1950s, which gives an idea of the amount of experience acquired (Chakrabarty, 2017) (Bhargavi, 2016). During that period, the reasons that incentivized capital outflow changed, depending on the internal market's failures and needs or the prioritization by governments for the specialization of its productive sectors

Once the econometric model is applied, it is observed that the exit of investment flows from India was significantly influenced by the variables related to 1) a high cost of capital in the country of origin and the identification of more and better sources of financing in other markets,

3 Investors who take decisions, intending to integrate horizontally exhaustively, evaluate the political risk and prioritize political stability and security, legal and regulatory framework, the huge internal market, macroeconomic stability, exchange rate, available talent and quality of manpower, adequate physical infrastructure, low taxation rates, access to raw materials and cheap supplies, access to land and real estate, and financing of the internal market (World Bank, 2019). Other variables are analyzed by the multinationals when their strategy is vertical. They seek to externalize, subcontract, and assume greater risks, allowing for a certain spread of knowledge and technology, outsourcing, or making strategic alliances.

like Mauritius, Panama, or Bahamas; 2) the economic freedom index and the weakness of institutions in the territory of origin[4]; 3) the attempt to increase technology exports so that they reach more sophisticated markets, thus forming new trade networks, transferring advanced technologies, and accruing profits[5]; 4) non-competitive salaries for qualified personnel and a scarce net capital in the original country, giving a fillip to the search of capacities and skills. Indian investors search for more flexible models of procurement that facilitate not only capital mobilization, but also strategic alliances.

On the other hand, although these aspects are important, as the study states, for sectors with a technological base, like pharmaceuticals or information technology industries, the investment in research and development is not significant, and neither is the expenditure on education that could incentivize the release of foreign direct investment.

Beyond this, it was observed in the study that to attract Indian investment, the variables with the greatest impact are those that facilitate operationality, market access, and trade concentration or diversification, in contrast to traditional variables, such as stable democracies or well-established financial systems.

Cultural integration, the formation of human capital, and the respect for civil liberties are variables that strongly influence the attraction of capital. In terms of geographical distances, the situation is different, since some of the main advantages Indian multinationals look for are for countries to have economies of scale, be traditional partners, make an effort to reduce transaction costs, and belong to a trade corridor. Of course, they prefer near and well-known destinations.

Indian multinationals are more interested in strategic alliances with the receptor country and in achieving the radial effect (through integration agreements), as well as commercial, logistical, exchange, and tax incentives. There is no fixed concept of an ideal political system and political stability is not crucial for the attraction of Indian FDI.

4 Monetary freedom, fiscal health, property rights, and financial and commercial freedom are also variables in this index.

5 Particularly in the matter of functional infrastructure for commercial activities.

Thus, from the preceding, it can be said that the variables measuring the ease of doing business are not crucial for Indian companies when deciding on the investment. Variables such as the business concentration indicator, the rate of tariff protection, and the coefficient of variation of tariff rates seemed to have a higher correlation with the behavior of FDI attracted from India, highlighting the importance of India for the strengthening of relations regarding economic integration. They seek to increase the benefits of national treaties and reduce the impact of trade barriers in the receptor country. In keeping with the above, whenever trade tariffs and the variation coefficient of the destination country are low, an open trade policy will increase the probability of Indian companies choosing an investment. Of course, this open trade policy would have to be in harmony with the structure of trade agreements or, in other words, the lower prevalence of tariff barriers.

The Case of India and Colombia

These findings are relevant to the foreign policy of Colombia. For this, it has to refigure the portfolio of traditional strategic partners in Asia. In the last 19 years, Colombia only had a favorable trade balance with India between 2012 and 2014, mainly related to energy resources. In 2019, the scenario was different, with an unfavorable trade balance of US $773.6 million. Comparing the index of trade concentration (IHH), based on the reported value of 5.284 tariff fractions of six digits, Colombia obtained an indicator of 0.18 in 2019, with an average concentration of 0.54 between 2010 and 2019. India's indicator was 0.04 in 2019, with an average of 0.07 in this period (Caro *et al.*, 2020).

Although Colombian exports grew in 2020, they were heavily concentrated in mineral fuels, mineral oils, and their distilled products and bituminous materials (87%). The diversification of Indian investment that arrives in Colombia also shows a negative trend in comparison with other countries of the región (Gómez-Mera *et al.*, 2015). According to the figures of the monthly reports of the Reserve Bank of India between 2015 and 2020, of the US $127 355.19 million invested in the world, only $6 162.16 corresponded to Latin America. At a regional level, between 2015 and

2020, Latin America was the fifth destination for Indian investments, with only 5% of the outflow. The top four destinations were Asia (36%), Europe (28%), Africa (16%), and North America (15%). Colombia appears as the sixth destination in Latin America, with an amount of 90.26 million dollars between 2015 and 2020 (Caro *et al*., 2020).

The study prioritized new subsectors for the attraction of efficient investment from India. For example in agroindustry, the production of legumes and tractors, as well as activities to promote food security, sustainable agriculture, and to take advantage of scarcity cycles in Asia and demands in Latin American Markets.

The production of beans and chickpeas were areas that were studied in detail. India is working on electric mobility to offer a series of spare parts and pieces, vehicles, and infrastructure in the short term to position themselves as leaders in shared mobility by 2030. Colombia is the second producer of motorcycles in the region. With important participation from the Indian industry, it became an importer of electrical vehicles, and now needs India as an investor to begin production in the country.

The 2020 study identifies the possibility of producing vaccines and active excipients, as well as the interest of national companies in beginning the production of generic drugs to supply the Colombian and U.S. markets. In 2021, the Colombian fears were finally quelled when the Indian pharmaceutical sector was encountered. The initial business meetings took place in India thanks to the work of embassies and STI ministries. Other sectors, like shipyards, aeronautics, and cosmetics were also a part of these findings.

Conclusion

In the present geopolitical climate, new questions, related to India as a point of reference on whether to prioritize this country in bilateral and regional economic relations or not, have arisen. In this analytical exercise, we conclude India is an ally that would bring a balance to the encounter between Latin America and Asia. Potential in pharmaceuticals, electric vehicle infrastructure, legumes, shipyard industries, and IT for businesses make the need for LAC to consider India's place as a strategic partner palpable, particularly for the Pacific Alliance.

Asian countries in general, including China and India, strategically prioritize their economic interest in Latin America. In a scenario of economic complementarities, India becomes a more attractive partner due to its stable democracy, which develops acceptable levels of confidence. Being a traditional partner of North American countries, with emerging industrial sectors influencing global chains of value and supply, means India is looking for nearshoring locations.

There is also unrest about internal interests and whether it is the right time for Latin America to connect more foreign policies with the national goals of productive and industrial development. The analysis in this article allows us to deduce that this is the right moment. Otherwise, we are going to be far from vanguard industrial developments in India and Asia, which will determine the new market dynamics and better life conditions for our people.

It should also be clear that the needs of Asian countries, including India, to enlarge their market are not due to benevolent or volitional reasons. The capital outflow and the location selection for their companies in other regions are vital strategies to ensure its national interests, which center around the growth of their economies and industries. One should also keep in mind that the national interests that move countries like India and underlie their economic foreign policies are a challenge for Latin American countries. They are interested in energy products, whereas we need to diversify our export offer.

In that regard, it is the responsibility of Latin American countries to build production capabilities, as well as a competitive environment for trade and investments. Functional infrastructure that connects the region is a goal that cannot be postponed. The training of diplomatic officials to engage in trade agreements in a more balanced way with India and other Asiatic countries is a must. Training in economic and science diplomacy would help public officials to identify the opportunities in trade, investments, and chains of supply, thus facilitating the association with Indian companies as strategic partners.

The role of academia in a new phase of relations between India and Latin America cannot be dismissed, postponed, or minimized. The professional study of languages and cultural aspects is essential in the understanding between Asians and Latin Americans. The development of

methodologies for the early identification of trends in demand, and consequently, pertinent promotion of specific opportunities for economic integration is an activity that must have a strong presence among private and public actors in the relationship.

Foreign Policy strategies toward India and other Asian countries should be the rule and not the exception. In the process, the opinion of academies and centers dedicated to the study of the region may be taken into consideration.

Academic consultancy under professional formats should be massified. The academy must use its expertise in research and critical analysis in favor of national industries.

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Financialization of the Five Largest Indian Pharmaceutical Corporations. Challenges in the Face of the Health Crisis

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Summary

With the arrival of the COVID-19 pandemic, economies and societies have revealed the fragility with which they sustain their cohesion and relationships. Bellamy Foster points out that "the logic is one of «more and more profits, less and less profitable investment opportunities, resulting in a recipe for capital accumulation slowdown, and therefore economic growth, which is powered by capital accumulation»" (Bellamy F., 2007, p. 1). Given the empirical evidence supporting the argument that financialization inhibits capital accumulation, this article tests the financialization variable for the five largest Indian pharmaceutical corporations and then discusses the challenges they face because of the global health crisis.

Introduction

Among the plethora of topics from which a firm can be approached, those that have to do with expansion strategies stand out in the present analysis of corporate governance strategies and how they modify the accumulation of capital. Fundamentally guided by what is known as the ideology of maximization of shareholder value under the pretense of increasing

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the capitalization of the firm, management buys back shares, which both distorts markets and creates large rewards for senior management through stock options (Guttmann, 2009).

In some cases, particularly that of the United States, this dynamic has generated a productivity crisis (Lazonick, 2013). This dynamic is built on the mutation of the business model, which goes from "retaining and reinvesting" (retaining workers and reinvesting income in the growth and innovative capacity of the company) to "reduce and distribute" (reduction of the corporate workforce and distribution of income), negatively affecting long-term employment, all of which converges in a "predatory value extraction" (Lazonick and Shin, 2019). In other words, value is extracted rather than produced, which compromises the firm and puts its very existence to question.

Several studies have been carried out with the aim of testing this article's hypothesis of financialization in a group of firms and some branches or sectors of developed economies. For developing economies, however, there has been little effort in this regard. In this context, the paper aims to test the degree of financialization of the largest Indian pharmaceutical corporations.

The five largest local pharmaceutical corporations, measured by their sales and assets, are considered as study subjects. Specifically, the case study of Sun Pharmaceutical Ltd., Cipla Ltd., Lupin Ltd., Aurobindo Ltd., and Dr. Reddy's Ltd. is proposed as an example or sample of the broad spectrum of the regional industry, considering that the sum of their sales represents 60% of the yearly total for the entire country (CMIE, 2017).

The proposed hypothesis is that Indian pharmaceutical corporations replicated a corporate governance that supports financialization, a system that increases stock returns to boost the financial gain of senior executives, as well as bankers and hedge fund managers with whom they have allied. To verify this possibility, the financial statements of these pharmaceutical companies are analyzed. The study covers a period of 25 years, beginning in 1990. However, in order to have the most recent information, variable data up to the newest publication is included. Data from 2017 to 2020 is, in many cases, preliminary. However, this does not distort the analysis, since the desire is to show the possible trend of financialization for this group of

companies and its implications. It is precisely this what is considered the biggest problem with financialization, which in the long term destroys the corporation by destroying employment, thus annihilating the source of value creation (Lazonick, 2013).

The questions to be answered are the following: what is meant by financialization? What is the context in which the Indian pharmaceutical sector develops? Are there indicators of the financialization of the five largest Indian pharmaceutical companies?

In addition to this introduction, the chapter consists of three other sections. The second section establishes the limits of the case study, assuming the thesis of financialization which was formulated and tested in other latitudes and regions, as valid, and offers an overview of corresponding literature. In the third section, within the wide range of approaches that financialization uses to define whether or not a corporation is financialized, four indicators that reveal this financialization are exposed, along with an overview of the Indian pharmaceutical sector. With this framework, the analysis is carried out to prove or reject the hypothesis by measuring and quantifying empirical contrasts in the balance sheets. Finally, some comments are given as preemptive conclusions.

A broad perspective on financialization

The term financialization is hard to define. It is used to pin down a very wide range of trends. The most cited definition is by Gerald Epstein, who states that "financialization means the growing role of financial interests, financial markets, financial agents, and financial institutions in the functioning of national and international economies" (Epstein, 2005, p. 3). A summary with the most frequent definitions is compiled by Van der Zwan (2014). The synthesis of these findings is underlined by Mader *et al.* (2020):

> one way to map this landscape of definitions is to distinguish roughly between three levels of analysis (Van der Zwan 2014): *macro*-level approaches, which usually focus on the transformation of capitalist accumulation or changes in macroeconomic aggregates and often engage with

> a state/market-dichotomy in processes of financialization; *meso*-level analyses, which put (mostly non-financial) corporations center stage and examine issues of ownership and control as well as changing corporate relations with financial markets; and *micro*-level approaches, which highlight how (mostly) non-elite actors are implicated in a "financialization of daily life", zooming in on financial practices and rationalities in, for instance, saving and borrowing (Mader *et al.*, 2020, p. 6).

As noted before, there is growing empirical evidence supporting the argument that the phenomenon broadly defined as financialization inhibits capital accumulation. At the firm level, for example, Orhangazi finds that "the robust and significant results for large firms suggest that increased financial investments by these firms do have a negative effect on real investment" (Orhangazi, 2008, p. 882). To support this position, the researcher calculates the "ratio of financial assets to real assets for the non-financial corporate sector" and "financial income as a percentage of internal funds". The figures presented in their study account for increases in financial assets of Non-Financial Corporations (NFCs), and demonstrate that "there has been a steady rise in the ratio of financial assets to real assets in NFCs, which was accompanied by a rise in their financial income" (Orhangazi, 2008, p. 865).

Similarly, some studies argue that the ideology of shareholder value harms the performance of the company and the results expected of it. According to Davis (2014, p. 6), at least in the United States, critique lies along various dimensions. Lazonick and O'Sullivan (2000), and Lazonick (2009) argue that the shareholder value movement corresponds to a shift in business model from a strategy of "retain and reinvest" (retain workers and reinvest earnings in the firm's growth and innovative capacity) to "downsize and distribute" (downsizing of the corporate workforce and distribution of earnings), adversely impacting long-term employment and 'sustainable prosperity'.

Relating the change in corporate governance strategy to capital accumulation, Stockhammer (2004) explains that managers' increasing emphasis on "shareholder value" led to a decrease in desired investment rates, further revealing how "financialization, via a change in management priorities, may affect desired growth rates" (Stockhammer, 2004,

p. 720). Krippner (2005), quoting Arrighi (1994), supports the thesis that financialization refers to

> a pattern of accumulation in which profits accrue primarily through financial channels, rather than through trade and commodity production. 'Financial' here refers to activities relating to the provision (or transfer) of liquid capital in expectation of future interest, dividends, or capital gains (Krippner, 2005, pp. 174-175).

On the other hand, Tulum and Lazonick (2018) argue that a productivity crisis affects the U.S.' pharmaceutical industry in general, even though there are unique advantages in that country for the research and development of medicines. They state that "the U.S.' pharmaceutical industry is driven by the ideology of shareholder value, and has adopted a highly financialized business model" (Tulum and Lazonick, 2018, p. 281). Focusing on U.S. corporations, the authors assert the importance of policymakers and regulators understanding the governance, structure, and performance of innovative companies to ensure and support institutions that implement these innovations. In short, what should be criticized is "of particular importance, not just for the pharmaceutical industry but for the U.S.' economy more generally, is legislation and regulation concerning the widespread practice of stock buybacks" (Tulum and Lazonick, 2018, p. 309). This is because shareholder value maximization (MVS) and share buybacks "manipulate the market and leave most Americans worse off", to quote the subtitle of his article published in Harvard Business Review "Profits Without Prosperity" (Lazonick, 2014; Tulum and Lazonick, 2018, p. 309). Despite criticism, they do not delve deeper into the analysis to prove the financialization.

All these themes are laid out in greater detail in Lazonick and Shin's book (2019), in what they call "predatory value extraction." Thus, although not limited by this, financialization is understood here to be the *meso-level* analysis proposed by Mader *et al.* (2020), as well as Krippner's approach (2005) regarding the accumulation pattern in which profits are accumulated mainly through financial channels.

Pharmaceutical sector briefly

It is possible to carry out a superficial analysis if certain regularities are accepted. For Mazumdar (2013), for example,

> the history of the evolution of the Indian pharmaceutical industry can be divided into four main epochs. The first epoch is from 1850 to 1945. The second epoch spans from 1945 to the late 1970s. The third epoch for development is from the early 1980s to the early 1990s; and the fourth epoch began in the early 1990s and is still ongoing (Mazumdar, 2013, p. 17).

From a broader perspective, he proposes that, for convenience, India's pharmaceutical evolution be divided into two distinct phases: pre-independence and post-independence scenarios (2013, p. 17).

This periodization, not without being questioned, considers the changes in some of the conditions, favorable or unfavorable, for the incursion of transnational corporations and the transplantation of productive activities destined for India. To mention just one of these conditions, the increase in the production of Indian drugs in the current stage is achieved by presenting several factors, some of the most outstanding being legislative reforms, the growth of contract manufacturing and subcontracting (CRAMS-Outsourcing), the emergence of joint-ventures (Pradhan, 2006), the Indian mastery of deformulation (or reverse engineering) to investigate patented drug molecules (Gehl, 2006, p. 13), and the efforts by local corporations to comply with the rules of the World Trade Organization's (WTO) Agreement on Intellectual Property Rights related to Trade (Chaudhuri, 2005, p. 3). The latter allowed Indian companies to considerably increase subcontracting and, consequently, exports.

Indeed, India's pharmaceutical industry is one of the largest and most developed in the world. In fact, the Working Group of the Steering Committees of the XII Five-Year Plan (2012-2017) points out that "[this] Industry ranks third in the world in volume and 14th in value, supplying about 10% of total world production. This also amounts to about 20% of the total volume of global generics" (GOI, 2011) (Akhtar, 2013, p. 51). According to the *India Brand Equity Foundation,* in 2016, this sector represented approximately 2.4% of the global pharmaceutical industry in terms of value and

10% in terms of volume (IBEF, 2016). On the other hand, the Government's *National Investment Promotion & Facilitation Agency* underlines that the Indian pharmaceutical industry is distinguished for its outstanding presence and rapid growth as "the largest supplier of generic drugs globally". It occupies a 20% share of the global supply by volume and supplies 62% of the global demand for vaccines. India ranks third in the world in production by volume and 14th in value (GOI, 2021). That means that one in five tablets, capsules, and injectable generic drugs consumed anywhere in the world is manufactured in India. In fact, India manufactures 30% of the world's anti-HIV drugs (GOI, 2011). According to other analysts, Indian pharmaceutical companies produce between 20 and 22% of the world's generic medicines (in terms of value), and offer 60,000 finished drugs and about 400 bulk drugs used in formulations (Eck, 2016).[2]

The industry is gaining worldwide notoriety by producing low-cost generics. In fact, in the last 30 years, it went from being almost non-existent to becoming a world leader in the production of high-quality generic drugs at a low retail price (Pradhan, 2006). Although foreign transnational corporations supply some medicines, the local Indian industry meets the country's demand for bulk medicines and almost all of its demand for formulations. Its trade balance in this area has been positive since 1987. At this level, pharmaceutical exports were almost US $600 million in 1995. In 2005, they reached US $3.7 billion (just over 61% of the industry's turnover). Despite a slight decrease compared to the previous year, in 2013 US $14,880 million in exports were reached (GOI, 2014). According to Rani (2020), the total exports for the year 2018-19 were US $19 162 million in value (Rani, 2020, p. 727). Thus, in 2010-2011 the trade of balance in medicines registered a surplus of US $6.2 billion (RBI, 2016), and reached US $12.8 billion in 2018-2019 (Rani, 2020, p. 730).

This performance of the Indian pharmaceutical sector is further verified by looking at the industry´s capitalization, which increased from US $6 billion in 2005 (less than 1% of the global industry's US $550 billion) to US $30 billion in 2016, estimated at 2.8% of the global pharmaceutical

2 According to Eck, "This percentage will increase in the coming years. Estimates from the ASSOCHAM project indicate that India will be among the top three pharmaceutical markets for incremental growth in 2020. They also predict that the country will be the sixth largest pharmaceutical market in the next five years." (Eck, 2016).

industry's US $1,072 billion (IBEF, 2016). Recently, according to IBEF, "India's domestic pharmaceutical market is estimated at US $42 billion in 2021, and is likely to reach US $65 billion by 2024 and further expand to reach US $120-130 billion by 2030" (IBEF, 2021, p. 10). As noted earlier, this sector is one of the fastest growing of the economy. It grew at an average annual rate of 14% between 2002 and 2005. Overall, the market increased at a Compound Annual *Growth Rate* (CAGR) of 17. 5% in 2015, and projected "a CAGR of 15.9% in 2020" (IBEF, 2016). This unprecedented growth is supported by the fact that "as of 2019, India's cost of production is roughly 33% lower than that of the United States" (IBEF, 2021, p. 5), this being one of the reasons why "the Indian pharmaceutical sector is expected to grow at a CAGR of 22.4% in the near future" (IBEF, 2021, p. 3).

In a related issue, while some sources argue that drug prices in India were controlled, not all authors agree. According to Sunder:

> India does not have a system of nationalized therapeutic access, except for central government and defense employees, and its state regulatory mechanisms for controlling drug prices have proven inconsistent. Hence, the control of drug prices in India since the 1970s, while extremely successful, has almost entirely been a function of free market competition in generic drugs. (Sunder, 2017, p. 10),

India has joined the globalization of drug development in two ways since the mid-1990s. Sunder speaks of

> bringing national laws in line with global regulatory frameworks, a process referred to as harmonization. One involved an amendment to Schedule Y of India's Drugs and Cosmetics Rules of 1945… The second change was to India's patent laws, to make them compliant with the mandates of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement, enshrined under the aegis of the World Trade Organization (WTO) This would involve a radical amendment of India's 1970 Patent Act (Sunder, 2017, p. 5-6).

The national pharmaceutical industry has gradually prospered based on the fact that

> before becoming a signatory to TRIPS, India operated under a Patent Act passed in 1970, which only allowed pharmaceutical patents on process, not on product. This meant that one could not patent a drug molecule itself, only its method of manufacture (Sunder, 2017, p. 10).

Methodology

For testing financialization in the five largest Indian pharmaceutical companies some calculations and tests were presented. The Orbis company's database, from Bureau van Dijk to Moody's Analytics Co., is used to make the measurements (Bureau van Dijk, 2018). Accounting items are denominated in US dollars. To be specific, explicit citations of the accounting items that allow the calculation of the indicators are made, and an explanation of what the used concepts mean is included.

The annual expenditure on property, plant, and equipment is the sum of net building spending plus the net plant and machinery cost declared and the value of transport equipment (as the depreciation has been subtracted from the net value of these three items). Physical capital is equal to total assets (without depreciation). The quotient of these is the first indicator (Torija and Gottschalk, 2018, p. 214). The income from the portfolio consists of the sum of the financial gains and losses, which is interest earned on the placement of financial assets plus ordinary dividends and net profit. With respect to corporate cash flow, net profit and depreciation adjustments are considered. This distinction is the second sign of financialization. Intangible assets are the net value reported in the goodwill account, trademarks, patents, and other intangibles. Productive capital is simply total assets. Finally, financial profits are measured as the sum of ordinary dividends plus financial income divided by after-tax earnings.

Among the wide range of manifestations to test a company's financialization, four were chosen, and their measurement went as follows:

1. Fixed investment is the ratio of annual expenditure on property, plant, and equipment per total physical capital of the company.

2. The ratio between portfolio income and corporate cash flow is measured.
3. The ratio of intangible assets and productive capital is measured as a defining characteristic of the financialization of the firm.
4. Financial profits (dividends + interest) / total profits (or financial profits to retained profits) are measured.

Financialization of the largest Indian pharmaceutical corporations

In the following paragraphs, the examination that demonstrates —or not— the financialization of the five largest Indian pharmaceutical corporations is carried out. Firstly, regarding their income and expenses, two important issues: 1) the income was always higher than the expenses, but very close to the abscissa axis between 1990 and 2000, since the "take-off" and the gestation of its business models and increase in competences took some time; 2) only Sun Pharma reports expenses greater than its income. This situation is mainly due to the process of debt-financed mergers and acquisitions. Sun Pharma bought the US $4 billion Rambaxy company, thus creating the world's fifth-largest specialty generic pharmaceutical company.

Secondly, a look at the income from financial services shows that, in line with the growing trend in their income since 2000, they began to place their treasury surpluses in financial instruments. That is, they obtained income derived from financial investments. The most notable case is Sun Pharma, whose financial revenues accelerated since the year 2000 and peaked in 2012 with Rs 19 500 million, which is around US $300 million (CMIE, 2017).

An interesting element worth mentioning is the one proposed by Krippner (2005, p. 176) regarding what constitutes the evidence relevant to financialization, and how this evidence should be evaluated. More than one answer to this question is possible. She herself gives the solution, arguing that "economic change must be evaluated by examining where the benefits of the economy *are generated*" (p. 175). Below, the findings of the carried out tests are presented.

Investments in fixed capital

The five corporations report having made few capital investments between 2010 and 2017. However, this indicator shows ups and downs until 2010, when it reached a peak of 35% for the company Cipla. Considering the decrease in the investment rate, the desire to materialize little investment in physical capital is evident. Consequently, the test shows the presence of financialization in these five companies.

Relationship between portfolio income and corporate cash flow

Krippner (2011) proposes a parameter of financialization by measuring the sources of income. That is, those coming from financial investments compared to those from more traditional productive activities. The author calculates the importance of financial income by constructing a relationship to compare portfolio income to corporate cash flow. Portfolio income measures companies' total earnings derived from interest, dividends, and capital gains realized on investments. Corporate cash flow consists of earnings plus depreciation adjustments. Therefore, the relationship between portfolio income and cash flow reflects a company's relationship between the return generated by financial *vs*. productive activities (Krippner, 2011, p. 34).

Considering this calculation, an upward trend indicates a higher proportion of income from financial activities in relation to non-financial ones, and is therefore consistent with greater financialization. When calculating and verifying the behavior of this indicator for the five companies, it is observed that, as of 2008, there is an upward trend. Some volatility is expected, since it all depends on the different productive and management structures of each of these companies. Given this pattern, it likely reflects the fact that most of them adopted the channeling of capital from long-term investments in plants and equipment into financial investments.

The relationship of intangible assets with productive capital and net tangible assets

Another feature of financialization is offered by Baranes (2017), who argues that

> the most dominant corporations in the American pharmaceutical industry have taken on an intangible characteristic, emphasizing profits through the accumulation of rent-generating intangible assets rather than the production of serviceable output (Baranes, 2017, p. 1).

Accumulation through income-generating assets —such as patents, copyrights, franchises, and trademarks— in relation to productive capital implies that pharmaceutical companies are extracting value, rather than *producing* it. For him "dominant American pharmaceutical enterprises have taken on more intangible than tangible assets, a defining characteristic of the financialization of the business enterprise" (2017, p. 7) This, in a nutshell, means that "they accumulated through rent-seeking channels, rather than productive ones" (Baranes, 2016, p. 1). This measure exposes the relationship of total intangible assets to total productive capital. Therefore, "it should be increasing due to the elevated importance of intangible assets as the key component to capitalization" (Baranes, 2017, p. 8). The calculations carried out for the study subjects confirm that the relationship increases in all cases, except for the company Dr. Reddy's, where a negative slope implies a lower use of intangible assets to generate income. However, for the other four, and mostly for Cipla Ltd. and Sun Pharma, increases are observed. As mentioned before, this is an obvious indicator of the greater use of intangible assets that generate income, and thus, financialization.

Financial profits (dividends + interest)/total profits

Serfati (2009, p. 24) measures financial profits, for which he adds dividends and interest, and divides them by total profits. This relationship must have a growing trend to show signs of financialization. The calculations

show a downward trend for all companies, except for Dr. Reddy's. This finding could be interpreted as "definancialization". However, that trait must be assessed along with the dividend distribution, which are stable and trend upward. By making shareholder value the dominant philosophy, profits are not reinvested in the growth of the company, but are allocated to the payment of dividends. While it is true that this payment to shareholders gives rise to a financing capacity for investment in other industries, sectors, or markets, the issue is beyond this study.

As a last entry before the conclusion, measuring the return on equity and the number of mergers and acquisitions, this group of corporations shows high profitability, accompanied by an increase in size through constant activity in mergers and acquisitions.

Conclusions

Corporations in general, and pharmaceutical companies specifically, have undergone a process of financialization. This means making money from money and not through production. The main goal was to investigate whether Indian pharmaceutical corporations have been financialized in the recent period. In other words, to show the conflict between financial and productive capital by opting for the holding of short-term financial assets, as opposed to long-term physical investments.

A first conclusion is that there is sufficient evidence to claim that Indian pharmaceutical corporations have been financialized. This behavior is confirmed by the slowdown in the expansion of productive assets, the primary source of corporate profit, and greater investment in financial assets. This dynamic is not unique.

By taking the financial *versus* productive investment variable as an explanatory element of the financialization of the Indian pharmaceutical corporations, empirical evidence has been presented. This is a second conclusion, which confirms the increase in financial income since the year 2000. From then on, it accelerated its growth, and with it, the degree of financialization.

The third conclusion is that the growth and development path, determined by internal and external conditions for companies, made

it possible to obtain returns from treasury surplus by investing in financial instruments.

To prove the central argument of this research and verify —or not— that these companies have been financialized, I have presented four indicators that offer evidence of the phenomenon. I also measured and compared my results empirically with the data published in the balance sheets of the pharmaceutical companies analyzed. I concluded that only one indicator of the ones chosen, that of financial profits, showed a different trend. The remaining evidence suggests the presence of financialization in these five companies. Thus, the empirical evidence presented suggests that the process of financialization has reached the Indian pharmaceutical corporations. These results allow me to confirm the hypothesis. It should be reiterated that, in the case of India, it is vital to maintain and increase sources of employment. Its pharmaceutical companies are engaged in more and more extensive research, and the presence of financialization compromises these objectives. This is especially true when taking into account that the pandemic is not yet over.

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India Post Pandemic. Trade and Cooperation, is there a role for Latin America?

Paola Baroni[1]

Summary

India's path to development and to become a global power is barred without an economic rebound and a stronger emphasis on science and technology. To invest in biotechnology and pharmacy- or agriculture-linked technologies is important. In this sense, some technological sectors have helped to overcome India's infrastructure and capital deficits, but have not developed a competitive manufacturing base or played a significant part of global supply chains. It is time to capitalize on the benefits of bilateral and multilateral cooperation in order to promote a major development.

What could the role of Latin America be? Both India and Latin America share abundant human and natural resources, as well as a growing number of innovators and entrepreneurs. Both need to have a multi-point strategy to enhance bilateral trade, but India has been reluctant to partner with others in deeper trade agreements. Even though there are treaties on cooperation regarding different fields (IT, services, medicine, agriculture, etc.), little has been done. COVID-19 seems to be propelling 'India's moment', which is why the aim of this chapter is to explore the partnership with Latin America in order to collaborate in mutual development.

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Introduction

The pandemic has battered the world, provoking an economic crisis, a stalemate in international trade, a disruption of global supply chains, and a breakdown in international cooperation. These events induced structural changes that altered the way we work, live, and organize a business. It also took place at a moment where power reconfiguration towards Asia was occurring and an extended world economic crisis was taking place. All of this has shown a power imbalance in different degrees at a systemic level: political, economic, health, and security, among others (Ordóñez and Gadgil, 2021).

COVID-19 has also brought India's vulnerability back up due to its gap in income equality and in research and development (R&D) when compared to other emerging economies. India's path to development and to become a global power is barred without an economic rebound and a stronger emphasis on science and technology, especially as a basis for its industries. Fortunately, India has prestige in nuclear and space programs, but needs to start using this scientific culture as a political tool. To invest in biotechnology and pharmacy- or agriculture-linked technologies is important (Yadav and Yadav, 2021). Historically, information technology (IT) and pharms have helped India overcome its infrastructure and capital deficits, but have not yet developed a competitive manufacturing base or played a significant part of global supply chains, with the exception of automotive and pharm industries (Kripalani, 2020).

What could the role of Latin America be in this context? Both India and Latin America share abundant human and natural resources, as well as a growing number of innovators and entrepreneurs. Both need to have a multi-point strategy to enhance bilateral trade, which has reached US $39.000 million in 2020, which is still below its potential. However, India has been hesitant to sign deeper trade agreements. Even though there are treaties on cooperation regarding different fields (IT, services, medicine, agriculture, etc.), little has been done (Department of Commerce, 2021).

The hypothesis is that COVID-19 is propelling 'India's moment', and the time has come to capitalize on the benefits of bilateral and multilateral cooperation in order to promote a major development (Kripalani, 2020). The aim

of this chapter is to explore the partnership with Latin America in order to collaborate towards mutual development, taking into account trade and co-operation in fields such as agriculture, energy, and medicine, among others.

The analysis was carried out through a descriptive research and a qualitative methodology (Valles, 1999). Data collection and interpretation —mainly of secondary sources (statistical, documentary, and journalistic)— was done by exploring the information available and the unobservable links among data (Vieytes, 2004). The techniques used were documentary observation and analysis, which were applied to written and electronic documents. The texts selected were those that gave an account of the phenomenon under study at any given time. Data triangulation was also used in order to verify and contrast quantitative and qualitative data, assessing the convergence or divergence of the information gathered (Valles, 1999).

India as an emerging power

The international system of the 21st century allowed the rise of emerging powers, such as China, Russia, Brazil, and India, which have the capital, technology, and companies needed —both state and privately owned— to attain a more active international position.

A state is considered an emerging power depending on its material and immaterial capabilities, as well as its ability to go beyond its own geography and project its influence at a regional and/or a global level (Efstathopoulos, 2011). The main critique of India is its hesitant action in the international stage, despite the great number of factors —like energy and food security- that require a stronger leadership in order to accelerate economic growth and improve domestic security (Mohan, 2006).

According to Gónzalez Levaggi (2016), emerging states have a growing economic stature, a prominent role in their region as key actors for the stability and the development of their neighborhood, a progressive empowerment in the international stage, and lastly, the use of soft power to attract different international actors. These types of states have sought to change the dynamics of international politics through the search of a greater participation in international fora and institutions, as well as through deeper political interrelations.

Ever since the end of the Cold War, India has shown its power through its economic growth, military capability, and the production and exportation of technology. Along with this, its soft power, based on the ideals of being the largest democracy of the world, its principles of non-alignment and non-interference in the internal affairs of other states, and the use of international cooperation as a way to achieve mutual benefits, can be observed (Baroni and Dussort, 2017).

It is important to remember that foreign policy is the result of coordinating domestic needs with external possibilities while assessing the available power resources. Foreign policy is, ultimately, a government tool designed under the guidance of national interests (Lafer, 2002). The framework of India's decisions and actions on foreign policy is conditioned by the regulatory principles of liberal democracy and the religious, ethnic, and cultural pluralism, as well as by the objectives of eliminating poverty and securing the state's economic growth and development. This is why India has approached states and regions that facilitate reaching these objectives (Tharoor, 2012).

India has also sought to strengthen the links with other developing countries under the concept of South-South cooperation (SSC). This concept is fostered by the states of Global South[2], or by multilateral and/or regional organizations formed by these countries, and refers to the transfer of financial resources and/or technical exchanges from a southern state to another one, aiming to promote economic and social development (Lengyel and Malacalza, 2011).

India's moment?

The spread of COVID-19 has reached every corner of the globe. In the beginning, the number of cases and deaths in India was low. This was

2 According to Anne Garland Mahler, this concept has different definitions. Traditionally, it has been used within intergovernmental development organizations to refer to economically disadvantaged states and as an alternative to Third World's idea. Recently, the concept is employed to address regions and peoples negatively impacted by contemporary capitalist globalization: "[…] it refers to the resistant imaginary of a transnational political subject that results from a shared experience of subjugation under contemporary global capitalism." (2017, p. 3).

due to a strict lockdown and social and demographic factors. The lockdown generated the timeframe needed to improve critical medical infrastructure. However, at the same time, the economy was hit with high unemployment and a decline in growth, which was also pushed by the disruption of trade channels and global and domestic supply chains (such as food chains) (Goel, *et al*, 2021; Kumar, 2021).

Eventually, this forced a lockdown exit strategy that led to a spike in COVID-19 cases due to low spending on the public health sector. However, there was a technological advance thanks to a robust research base, which helped contain some of the damages caused by the pandemic to the health and economic sectors (f. i. the development of vaccines and medicines such as hydroxychloroquine) (Goel, *et al*., 2021).

For some analysts, COVID-19 could have propelled 'India's moment', though within its own limitations (Kripalani, 2020). There were several measures that the government of Narendra Modi took in order to face this critical situation: the Reserve Bank of India kept monetary policy loose, and the administration raised the spending in infrastructure, privatized some state-owned companies, introduced tax reforms in order to support economic growth, and provided free food grains to poor sectors of society. This led to the recovery of some sectors, such as retail, auto sales, farm output, construction, and exports. Unfortunately, this was not the case for transport, tourism, and consumer spending, among others (Kumar, 2021).

India's economic recovery has to be pinned on trade and investment as a medium term strategy and on sound financial structural reforms, both of which are engines for reviving growth (Roche, 2020). India has to use its strategic and market influence to be a reliable partner in a more equitable global supply chain, but is reluctant to partner with other states in deeper trade agreements (Irwin, 2021). In this context, links with already existing partners should be deepened. Apart from this, it has to avoid the use of export restrictions on goods and services linked to health (intermediate inputs) and import restrictions on agricultural products (commodities and manufactures of agricultural origin). Trade openness in India is still low, with important tariff and non-tariff barriers (Shingal, 2020).

In addition, inclusive growth will require cooperation and participation of all stakeholders. India can capitalize on the benefits of international

cooperation in order to stimulate development, particularly in the cases of food and energy security, health systems, and to achieve *Atmanirbhar Bharat* (self-sufficiency) on critical technologies. During the pandemic, there was a boom in technology linked to agriculture, tele-medicine, education, and entertainment, especially for start-ups. The digitalization of administrative and governance processes has been increasingly important in recent years and is based on digital trade and commerce, women's empowerment, technology to promote education, among others (Yadav and Yadav, 2021).

In the context of the pandemic, India used its soft power known as 'Vaccine Diplomacy' —donations and commercialization of vaccines— and included other pharm products like generic drugs and active pharma ingredients. Nevertheless, it had to be suspended due to the collapse of the domestic health system[3] (Carrasco Hernández, 2021). But this failure is not the only one. In the beginning of 2021, neither the United States nor the United Kingdom had exported important quantities of vaccines, showing that national interest is prioritized ahead of international cooperation.

This shows that in order to contain and counter the pandemic, there has to be a global response based on cooperation, transparency, and coordination of actions. However, we have witnessed the weakness of global and regional institutions in this endeavor (Roche, 2020). Developing and less developed countries are facing the worst of the pandemic, since their health and economic systems are not prepared for this task, so international cooperation is the best option.

India has rediscovered in the 21st century the value of South-South cooperation, and is promoting and participating in different actions, such as the India-UN Development Partnership Fund,to boost projects to counter COVID-19 in Global South countries, and the Facility for Poverty and Hunger Alleviation, supporting e-learning projects, in the context of the India, Brazil, and South Africa Forum (IBSA). India's diplomatic and economic role in

3 During the outbreak of the pandemic and the increase of cases, India stopped exporting oxygen due to its shortage. On the other side, the sale and donations of vaccines were canceled because the vaccination strategy was not improving and the production of national vaccines —by Bharat Biotech— and the co-production between Serum Institute of India and Oxford-AstraZeneca (Covishield) was slow in order to cover the whole population of India. (Carrasco Hernández, 2021).

supporting this type of state is very important, despite the challenges it faces in many fronts, like the economic one (Adil, 2021).

Is there a role for Latin America?

Historically, the links between India and Latin America have been weak. Some of the causes were geographical distance, the lack of historic links, the language gap, diverse political trends (priorities given to internal and regional issues), and the fact that Latin America did not affect India's security (Ross, 2010). Besides, Asia was not at the center of the foreign policy of Latin American countries until the beginning of the 21st century.

India's policies towards individual countries in the region did not show an important change over the last decades (Sahni, 2015), which is due to the fact that India's perception of Latin America was that of a homogenous region at political, economic and social levels, without taking into account its diverse complexities (Gangopadhyay, 2014).

One of the main objectives of Modi's government has been to transform India's foreign policy into a tool that helps it become a global power. In this context, India needed to strengthen its regional (South Asia, South East Asia, and Central Asia) links, as well as its links with the United States, China, and the Middle Eastern countries (Rao, 2016). In the case of Latin America, there has been benign negligence, despite the increase in the commercial-economic links (Desai, 2015; Gangopadhyay, 2014).

Even though trade exchange and investments have grown, they are still below their full potential. Economic complementarity can be observed: in the case of South America, there is an inter-industrial trade (commodities and manufactures of agricultural origin in exchange for manufactured goods with medium/high added value), but in the case of North and Central America, there is intra-industrial trade (textiles, autoparts, or electronic devices), which represents an economic competition (Baroni, 2021).

The main products imported by India are vegetable oils, grains, sugar, bulk minerals and ores, such as gold, copper, coal, coke, and briquettes, and crude petroleum. It exports manufactured and industrial products

(petroleum products, agro-chemicals, drug formulations, motor vehicles and cars, yarn, industrial and artisanal fabrics, auto components, two and three wheelers, bulk drugs and drug intermediaries, dyes, and products of iron and steel). In this sense, India's imports from the region are larger than exports, so a sustained trade deficit is clear, and the exchange is concentrated on a few states (Brazil, Mexico, Venezuela, Argentina, Peru, Chile, Colombia, Bolivia, Ecuador, Dominican Republic, and Panama). This entails also the possibility to diversify the links with other countries of the region (Department of Commerce, 2021).

An important fact is the limited number of trade agreements with the countries of the region, which are of partial scope. This is the case of the agreements with Mercosur (in force since 2009 and under negotiation for its expansion) and Chile (in force since 2007 and expanded in 2016). Nevertheless, there are negotiations for one with Peru, which will include trade, investments, services, and cultural relations, and another one with Colombia. In addition, it has the status of Observer State in the Pacific Alliance (2014) (Department of Commerce, 2021).

There are Indian investments in the region, estimated at US $14.000 million. The main sectors where Indian companies invest are agriculture, mining, construction, financial, insurance and business services, manufacturing, electricity, gas and water, transport, storage, and communication services, among others (Department of Commerce, 2021). Even though investments have increased, they are below their potential.

India has identified two countries —the largest of the region, Brazil and Mexico— as the main objective of its foreign policy in Latin America. This is due to the fact that these countries provide different political and economic opportunities. In the case of Brazil, the links have to be analyzed from bilateral and systemic perspectives, since both are considered emerging powers. In this context, they have identified common issues in the international agenda and have also planned actions together. This can be observed in their joint participation in different multilateral fora such as the Brazil, Russia, India, China, and South Africa Forum (BRICS), IBSA, and the Group of Twenty (G-20)[4], where they have tried to add their power, solve common problems,

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4 It's a group formed by the finance ministers and central bank governors of 20 of the world's largest economies, both developed and developing. The members are Argentina, Australia,

and build a community. All of this generated strategic consequences, such as the signing of a Strategic Alliance in 2006 (Gangopadhyay, 2014; Sahni, 2015).

Recently, Mexico has been added to this tendency, since it's also an emerging economy with a similar position regarding development. It has become one of the main trade partners of India in the region. Its proximity to the market of the United States and its industrial integration with the latter have been key aspects in this rapprochement (Seshasayee, 2020).

Additionally, and under the umbrella of SSC, many agreements were signed with Latin American countries on different issues, such as agriculture, IT, education, development, services, pharm, medicine, energy, and space, among others. However, most of them have been implemented late or not at all. Moreover, although India supports bilateral aid, Latin America has received less than 1% of its Official Development Assistance (Economic Commission for Latin America and the Caribbean [ECLAC], 2016).

India has also participated in regional fora, such as the Central American Integration System (SICA for its Spanish acronym) through an institutional mechanism of dialogue, and the Community of Latin American and Caribbean States (CELAC for its Spanish acronym) so as to work together on issues such as energy, agriculture, medicine, space, and trade, among others (Siddiqui, 2015).

Even though both regions have shown interest in different areas, trade is still the most important dimension in their foreign policies.

Opportunities for India-Latin America relations

Latin America remains one of the lesser engaged regions in India's foreign policy. As a result, there are many opportunities and challenges in India-Latin America relations, and the pandemic has reinforced both of them.

Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States, and the European Union.

Regarding trade, opportunities lie in different products linked to the food chain, since food security is important for India. Some examples are sunflower and olive oils, poultry products, dairy products, and milk powder. Similarly, other commodities like seeds and pulses (pink lentils and mung beans), fruits, vegetables, and other types of minerals —like lithium— have a great potential (Baroni and Seshasayee, 2020; Beheran, 2020).

There is a clear complementarity in the service area and the automotive sector. For the first of these, Latin America offers its qualified human resources —Argentina, Chile, Brazil, Mexico— and a strategic platform for the export of products thanks to its proximity to the United States and its different time zones (Estevadeordal *et al*., 2017). In this sense, there has been a boom of Latin American startups in the last 5 years: by 2021 there were 34 valued at more than US $1.000 million. This increasing number of unicorns is mainly linked to the growth in foreign capital flow into Latin America (Pompeo, 2021). An example is the Argentinean startup Kilimo, which, in association with Satellogic, entered the Indian market with an app (agtechs) to help with water issues and optimize its use (Comercio y Justicia "Una startup", 2019). Even though this is the sector where most Indian investments go, it is necessary to expand towards diversified exportable technological products.

In addition, some untapped opportunities linked to audiovisual industries (TV series, movies) and industries based on creativity[5] can be mentioned Mexico, Argentina, and Colombia are well-known in these fields, which means co-productions or exportations of products of these industries can be great opportunities.

In the second case, India can be part of the integrated value chains, like the one formed by Brazil, Argentina and Mexico. There were intentions to invest in the automotive sector —either to purchase or make a joint venture— but nothing has materialized so far, and trade has been developed through intra-company exportations. In the case of

5 India has failed to commercialize the products of these industries in the region, except for Brazil. Latin America enters the Indian market through film festivals and the commercialization of movies by means of international companies.

motorcycles, Indian companies have invested in Argentina (joint ventures) and Colombia (direct investments). As for vehicles, Tata Motors has a plant in Brazil (Seshasayee, 2020).

So two observations can be made: firstly, that both need to promote trade agreements and deepen the existing ones, since they will generate the opportunities and conditions needed to boost trade and investments; secondly, that cooperation and joint actions in regional blocs —such as Mercosur, Pacific Alliance or SICA— should increase in order for the opportunities mentioned above to happen (Estevadeordal *et al,* 2017; Seshasayee, 2020).

Regarding SSC, many agreements on different fields have been signed and need to be activated, especially in the areas where Latin America shows its expertise, like energy (renewable, lithium), biotechnology, medicine (nuclear, pharm, medical devices), agriculture (irrigation, seeds, grain storage), and space programs (satellites), among others.

Cooperation in renewable energies has potential, since Latin America has experience in the area of solar and wind power, and India has a need for it due to its energy dependency. India can not only acquire know-how, but also participate in the exploitation and manufacturing of lithium batteries for electric cars, since this is a new strategic resource (Seshasayee, 2020).

In the areas of biotechnology, nuclear medicine, medical devices, pharmacology, or agricultural production (seeds, irrigation, machinery, etc.), great opportunities are also presented. There are agreements that can promote joint research or investments with benefits for both regions (Estevadeordal *et al*, 2017; Seshasayee, 2020). The pandemic showed the need for increased collaboration in different aspects, such as the supply of generic drugs, test kits, vaccines, oxygen, and joint research and clinical trials for treatment.

There is cooperation in the space sector, specifically in the field of satellites, linked to climate, territory, and environmental studies (natural disasters, weather forecast, agricultural purposes). Argentina, Colombia, Brazil, and Chile have launched satellites from Indian bases, and the agreements signed offer a framework to further develop the cooperation in this field (Seshasayee, 2020).

In a general overview, India and Latin America have a comparable poverty rate, a large informal workforce based on daily wages, and inadequate

healthcare systems. Alicia Bárcena, Executive Secretary of ECLAC, said that the pandemic has fostered South-South Cooperation efforts and exposed the weaknesses of triangular cooperation, especially in the access to vaccines. She added that "In Latin America and the Caribbean, we are facing a lost decade in economic and social terms. We are experiencing an increase in poverty and inequality, and discontent is growing" (Bárcena, 2021, p. 9). This means there are other areas where cooperation has been scarce and the exchange of experiences can be enriching: in combating poverty and improving governance, financial inclusion, and gender equality, among others. But, in the end, a greater political push by both sides is needed so that the relations can improve.

Conclusions

The COVID-19 pandemic has exposed the weaknesses and strengths of the international community, whether within or between countries, especially in the field of international cooperation. It has also exposed the challenges and opportunities in India-Latin America relations, which should be reviewed in order to face a post pandemic world.

Both Latin America and India should work on a sound, long-term policy to improve and deepen the links. This policy should include the identification of common issues and challenges while taking into account the different characteristics of Latin American subregions.

Regarding trade, a few countries participate with products of little added value, like commodities and manufactures of agricultural origin. In this case, both countries can work to expand the export basket, thus increasing trade. Indian investments in Latin America have grown, which has helped create qualified jobs and the transfer of technology and know-how. India should promote investments and exports of Indian companies through regional bloc policies and trade agreements, while Latin American countries should facilitate India's Direct Foreign Investment (DFI).

There are many challenges to face in order to boost the relations. In the case of Latin America, the challenge is to diversify its exports and include products with high added value, like technological and biotechnological goods or medical supplies. In addition, new frameworks of

technological, scientific, and energy cooperation should be reached so as to move forward in technology and knowledge transfer. Another issue of relevance is that of generating regional value chains that would allow the increase of Indian DFI and the participation of Latin American companies in Indian productive chains.

In the case of India, the challenge is to promote and deepen trade agreements and to have a greater liberalization of its economy. This would allow its products to compete under better conditions in the region, based on the reciprocity principle. Apart from this, India has to identify key partners in Latin America beyond Brazil and Mexico. This would allow it to adopt efficient policies regarding its position in the region, as well as expanding its technological associations and diversifying its trade and political partners.

Both of them face some tasks, such as increasing market research, mutual knowledge, and diffusing mutual advantages. Both have to work in the development of key infrastructures and logistics[6], as well as in diminishing trade costs. These actions will facilitate trade and the deepening of links.

Lastly, there are great opportunities for SSC in areas such as technology, health, agriculture and energy. Areas of mutual interest have been identified and agreements have been signed, so the challenge now is to implement them and activate the political will of both actors in order to develop different joint projects. Boosting and supporting SSC is imperative to complement potentialities, share experiences, and plan actions together in order to promote the development of Indian and Latin American societies.

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6 The lack of direct shipping lines or flights are some of the challenges.

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COVID-19 Vaccination Gender Gap in India. Can Trade Agreements Help?

Amrita Bahri[1]

Summary

Health pandemics affect women and men differently, which can make existing gender inequalities much worse. The COVID-19 crisis is one such pandemic, and has had substantial gender implications, both during the pandemic and in the post-pandemic world. This chapter in particular outlines four main reasons for why this health pandemic has led to a gender gap in vaccination in India. It then explores how trade agreements can contribute in repairing this gender gap. In doing so, the author sheds light on various ways in which the existing trade agreements embrace gender equality considerations, and how they can be better prepared to help minimize this vaccination gender gap by catering to the health interests of women.

Introduction

The unprecedented pandemic of COVID-19 has strained and overstretched the health systems worldwide, including those of the most advanced economies in the world (Pancevski, 2020). It has upended the global economy and, with it, international trade, creating enormous shocks to supply and demand. It has also had a significant impact on the global Gross Domestic Product, throwing the world economy into an

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international recession (IMF, 2021). While virtually every country has suffered from negative growth in 2020 and 2021, the downturn was more pronounced in the developing parts of the world (Levy and Filippini, 2021). The impact of this economic shock is likely to last for years, especially in the developing economies, as their rate of recovery is expected to be slower compared to developed countries. Amidst all this, something else is happening that needs to be taken into account.

COVID-19 has put women employees, women entrepreneurs, and women consumers at the frontline of this struggle (Alon *et al*., 2020). *'Across every sphere, from health to the economy, security to social protection, the impacts of COVID-19 are exacerbated for women and girls simply by virtue of their sex*' (UN Women, 2020). In particular, several developing countries have observed that the pandemic has caused a gender gap in the access to COVID-19 vaccination, as a smaller number of women, compared to men, have received the COVID-19 vaccination dose. The picture is worrisome in India, where the vaccination rates remain higher amongst men in almost all 28 states of India, with very few exceptions. However, the vaccination gender gap cannot entirely be attributed to the imbalanced sex ratio in the country (which is close to being corrected and balanced)[2], as several other underlying reasons may have contributed to this gap in India. Out of the 309 million COVID vaccines that have been administered since June 25, 2021 in India, only 143 million were administered to women, as compared to the 167 million that were given to men (Madan, 2021).

This chapter sheds light on the key reasons that explain why women were left behind in India's vaccination drive. The author in this chapter also explores if the existing trade agreements can accommodate concerns relating to women's health interests, and if they can help in overcoming this gender gap.[3] It is important to clarify that, as of the date

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2 In 2020, the sex ratio of the total population in India was 108.18 males per 100 females. In 2021, the fifth National Family and Health Survey (NFHS), carried out by the government between 2019 and 2021, found India now has 1 020 women for every 1,000 men. ['India has more women than men for first time, survey finds' (Guardian, November 25, 2021), https://www.theguardian.com/world/2021/nov/25/india-has-more-women-than-men-for-first-time-survey-finds

3 Data on transgender people, non-binary people, or people of other marginalized genders has not been accurately tracked, and hence the term "gender" in this chapter is limited to its social construct, which includes the roles of men and women in a given society.

of writing this chapter, India has not signed any trade agreement with stipulation that deal with the protection of women's health interests or gender equality more generally. Hence, the second part of the chapter will not assess the trade agreements India has signed, as it will explore and assess the trade agreements with the relevant legal provisions signed by other countries.

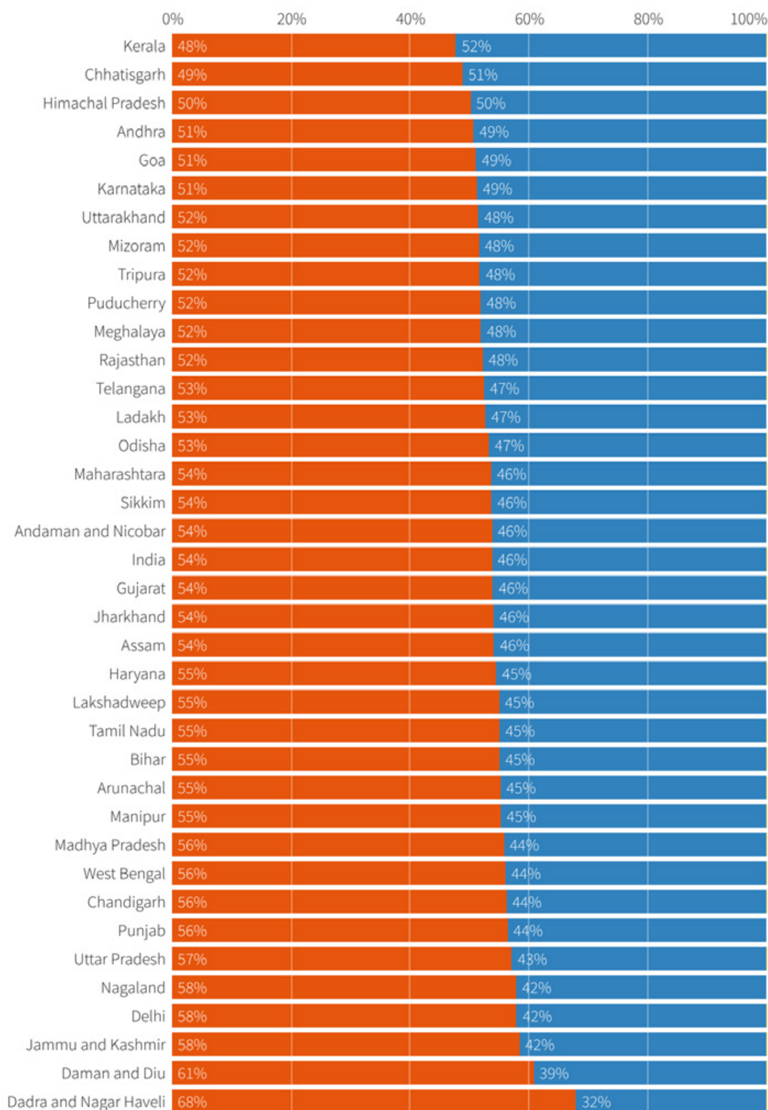
This crisis presents a unique opportunity to build back the economy in an inclusive manner, and an equitable delivery of vaccines will play an important part in this. It also provides an opportunity to explore how existing and future trade agreements can contribute in this regard.

COVID-19 Vaccination Gender Gap in India: Four Possible Reasons

Prior studies around vaccination programs in India, including child immunization programs, have shown gender gaps. The report has found that immunization completion for girls has been lower than for boys in various vaccination drives (Devasenapathy *et al.*, 2016). Studies have also shown how, despite India's substantial economic growth in the last two decades, girls in India are discriminated against in their access to preventive healthcare, including vaccinations (Singh, 2017; Mathew, 2012). The same disparity is being replicated in immunizing women amidst the pandemic of COVID-19. The COVID-19 vaccination gender gap between men and women in India in June, 2021 stood at approximately 6% (Guha, 2021). This divide has been observed in almost all states of India, with very few exceptions.

As can be seen in this chart, the states of Dadra and Nagar Haveli, Daman and Diu, and Jammu and Kashmir show a wide vaccine gender disparity. The situation is no different in India's capital, Delhi, where 42% of women, as compared to 58% of men, have received the complete dose of the COVID-19 vaccine. Uttar Pradesh, India's most populous state, with the highest number of people living in rural areas, had administered 29 million vaccines by June, 2021. Of this number, which includes two doses, only about 42% of vaccines were administered to women. In West Bengal, the fourth most populous state of India, the figure was 44% (Guha, 2021).

Figure 1. Gender gap in India's COVID-19 vaccination drive: State-wide disparity[4]



Source: Jain and Mishra, (2021).

4 This illustration is prepared by CoWin Application.

Recent studies have found that Indian states with a higher percentage of women being vaccinated are also likely to have lower poverty levels, higher female education levels, and a higher share of female workforce with intra-household bargaining power (Gupta, 1987). Hence, in addition to India's deep-rooted structural inequalities, its patriarchal culture, women's economic empowerment, employment status, and access to education can also be seen as contributing factors that influence women's access to preventive healthcare. This section provides a discussion on these reasons in the following four categories:

Digital divide between women and men

The vaccination program and the delivery of vaccines in India are based on a digital portal. The Government of India created the Co-WIN application to manage the vaccination facilities and delivery. This application has become the digital backbone for the vaccination drive in India.[5] Even though this development highlights the importance of technology in the fight against the pandemic, it also emphasizes the existing digital divide between men and women. In an increasingly digitally-enabled society, a significant challenge that remains is the digital inclusion of women. The global pandemic has made it clear that digital access is no longer a luxury, but an absolute necessity. In this era, it has become imperative to increase women's access to digital infrastructure and know-how. Yet, more men than women continue to have access to and use of the Internet in all regions of the world, particularly in the Least-Developed Countries, where the Internet gender gap is at 31% (Plan International, 2018).

The digital divide is deep-rooted in India, where women are 15% less likely to own a mobile phone and 33% less likely to use mobile internet services than men. In 2020 alone, approximately 25% of the total adult female population owned a smart-phone, compared to 41% of the adult male population (Madan, 2021; GSMA, 2021). Hence, lack of digital literacy and access to affordable digital infrastructure has undermined women's

5 The CO-WIN application facilitates the citizen with an option to register and schedule the vaccination session online in Centers of their choice. https://www.cowin.gov.in/

capacity to access the Co-WIN platform to register and schedule appointments for the COVID-19 vaccinations in India (Rahn, 2022).

In addition to having disproportionately less access to smart-phones and laptops, which are needed to access the Co-WIN application, women have also suffered due to their relatively limited access to digital know-how and the complexities associated with the digital application.[6] As a result, '*[w]omen are even less likely to know how to register on the Co-WIN app, and remain dependent on tech-savvy male members of their families*'(Madan, 2021). Moreover, for the vaccination to be administered, people are required to show an identity proof, known as an Aadhar card in India. This requirement could have contributed to widening the gap, since Aadhar cards in India may not work as effectively for women as they do for men, mainly because the card uses biometric details taken from fingerprints. This may cause a problem for women in India, especially elderly women, whose fingerprints may fade over time due to the years of household chores that they are subjected to (such as washing clothes and utensils).[7]

Unemployment, loss of employment and nature of employment

The employment status of women has caused the vaccine gap to widen on account of three reasons. The first reason is that fewer women are employed in India than men, and many companies have taken it upon themselves to vaccinate their employees by helping them with the registering and scheduling processes.[8] The second reason is the disproportionate loss of employment that women are facing in India amidst the pandemic. Women in India

6 The process of registration and scheduling appointments is not very user-friendly and has suffered from various technical glitches (The Economic Times, 2021).

7 Interview with 3 users and 2 officials of Aadhar card [details withheld] (Fryer and Lati, 2018).

8 The recent statistical report by the Centre for Monitoring Indian Economy (CMIE) revealed that unemployment among women is higher than men, both in urban and rural areas, and that female workers are bearing the brunt of India's unemployment crisis. The labor force participation rate among women in the country, already one of the world's lowest, continues to decline. For details, see: Niharika Sharma, 'Women Are Worst Hit By India's Unemployment Crisis' (Sharma, 2020b; Pib.gov.in, 2021).

have lost their jobs in various industries, including garment factories, food processing units, tourism, hospitality industries, and educational establishments (Aneja and Ahuja, 2021). In particular, women working in the service sector have been majorly hit.

Trade in services seems to be most directly affected by this pandemic due to its very special nature. The loss of services (in the form of cancellation of sport events, travel plans, and other recreational services) is permanent as, unlike goods, there are no inventories of services, and services cannot be stored or restocked for future consumption (World Trade Organization, 2020). Hence, the impact of this pandemic on trade in services is significantly harsher than that on trade in goods. Globally, almost 30% of the female workforce is employed in service-based industries (World Economic Forum, 2016). Women are mostly employed in labor-intensive services that require physical proximity between providers and consumers. In this pandemic, where social distancing has become a global norm, service industries such as tourism, finance, and education are set to suffer a significant loss of revenue (Faus, 2020; UNESCO, 2020). Female workers employed in these sectors stand at an economically vulnerable position, as they have suffered from a significant loss of employment during the pandemic (Shields *et al.*, 2011; ILO, 2013). India is no exception, where more women have lost jobs in the pandemic in comparison to men.

Finally, the third reason is that, in comparison to men, a higher number of women in India work in informal sectors, and hence are deprived from the benefits offered by formal companies and organizations regarding assistance with vaccine administration. Out of two billion workers in informal employment worldwide, over 740 million are women. In South Asia, over 80% of women in non-agricultural jobs are in informal employment. This number is over 74% in Sub-Saharan Africa and 54% in Latin America and the Caribbean (UN Women, 2015). 'In India, although the absolute numbers are lower, a slightly higher percentage of female workers are in informal employment, when compared to men.' (IWWAGE, 2021)[9]. Women in this sector, which is often referred to as a "gray economy", frequently work without decent salaries, protection from labor laws, insurance

9 For more details see Hill, Elizabeth, (2001).

or health cover, maternity benefits, or paid sick leave (Alter, 2001). Hence, due to the lack of job security and the absence of paid sick leave and other benefits, women working in the informal sector have preferred to stay away from vaccination, since it's known to cause several health problems, such as fever and weakness, that could deter them from work. In informal sectors, most employers do not see it as their responsibility to ensure that their workers are vaccinated, and therefore the help with scheduling appointments and granting paid sick leaves is absent.

Cultural barriers and misinformation

In India, most women work as homemakers and caregivers, due to which they are believed not to have a reason to leave their homes regularly and be exposed to the likelihood of a contagion outside. Because of this, a belief exists that women need not be vaccinated, and are often not prioritized, as several families and communities believe that men need the vaccines more than women (Persad, Peek, and Emanuel, 2020).[10] One interviewee confirms this with the following statement: '*My husband told me that he had to get vaccinated first. Due to the possible side-effects of the vaccine, I had to stay healthy so I could take care of him while he was sick after his vaccination. If we both fall sick at the same time, who will cook, look after the house, and take care of our kids?*'[11] Other interviewees have confirmed this concern.[12]

According to a study, only 40% of women are allowed to go out alone, including to a health facility. Therefore, women in India lack freedom of movement and have a dependency on others in order to commute to distant immunization centers (Choudhuri and Desai, 2020). Women also need to seek permission from their husbands to receive any medical intervention, including vaccinations. This is mainly because women remain

10 These rumors are not only prevalent in India; this article shows the gender divide in other countries too as it focuses on the prioritizing groups that access vaccination in emerging countries (Persad, Peek y Emanuel, 2020).

11 Findings based on interviews [details withheld]

12 "Women do not make decisions about their health — they will always let husbands, brothers, or even sons take the call. It has been an unspoken practice in our society. This same attitude has been responsible for the vaccination gap too." (Bhowmick, 2021).

passive in decision-making, particularly if they are financially dependent on their earning family members or male guardians (IIPS, 2015-16).

Moreover, certain religious practices and cultural norms have impeded women's access to vaccines, mainly because the vaccination centers are majorly operated by male healthcare workers (Merten *et al*., 2015). This belief finds its roots in the cultural norm that women cannot be touched by men other than their husbands, fathers or brothers (Gupta, 1987). Approaching vaccination centers and getting vaccinated necessarily entails some physical contact between the vaccine administrator and the vaccine recipient. Moreover, because vaccination centers are only open during working hours, women who are reliant on their male counterparts to accompany them when they venture out of their homes are unable to attend to their appointments, since their husbands or fathers may not be available to accompany them at that time (Guha, 2021).

Strangely enough, discussions with some interviewees suggest that, due to various superstitions, a few communities and families have staunchly opposed the administration of vaccines for their female members. One such superstition is that vaccines may have a negative impact on menstruation and lead to complications with pregnancy (Bhowmick, 2021). These rumors are caused by misinformation and lack of access to the relevant sources (Walker and Kapoor, 2021). Not only is there a lack of correct information among women in India, but also a myriad of false information surrounding COVID-19 vaccinations. Since most healthcare workers in rural areas are male, access to their services is also rare, as well as conversations about taboo topics, such as fertility and menstruation. Thus, the vaccine access gap is further widened (Oyabambi *et al*., 2017). The information on side-effects and how to deal with them is not readily available in accessible languages or formats, which exacerbates fears regarding getting vaccinated.

Increase in household responsibilities and violence against women

Female professionals tend to take a bigger chunk of domestic responsibilities than men, even during their working hours (Doepke and Kindermann, 2016). Lockdown causes children across the world to be at home,

which means an increase in childcare work and time-poverty for women (Alon *et al*., 2020). Time-poverty is one of the barriers that impede women's access to vaccination centers (Floro, 1995). Moreover, most of this household work is largely invisible and unpaid (United Nations, [UN], 2019). This puts women a step farther from being economically empowered, which further reduces their access to vaccinations. Even if their employers are willing to vaccinate them, they are unable to access these benefits or pay for a ride to the nearest vaccination center without being reliant on the earning family member.

In addition, for some women, staying at home could also mean being locked down with their physically abusive family members (Fernandez-Kelly and Sassen, 1995). France has reported a spike of 30% in domestic violence cases against women during the lockdown.[13] In the United Kingdom, calls to the national abuse hotline have increased by 65% during the lockdown (Hohan, 2020). A similar spike in the numbers of domestic abuse cases is noticed in other countries, including China, Spain, and India (The New York Times, 2020). This shows how global the problem is, as reports only take into account the scarce amount of domestic violence cases that are reported (Monje *et al*., 2020)[14]. Domestic violence can lead to the loss of someone's life; and for survivors, could cause physical injuries, anxiety, and distress. Women can be psychologically scarred due to increased domestic violence and household responsibilities. This could cause them to lose their confidence to venture out of their homes and make their own decisions.

Due to the aforementioned reasons, this pandemic might reverse the advancements we have made regarding women's economic empowerment.[15] International trade can serve as a tool to minimize this damage, as various trade agreements today contain legal provisions to protect women's health interests.[16] As discussed in the following section, trade

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13 See Infographic: 'The Shadow Pandemic - Violence against Women and Girls and COVID-19' (UN Women, 2020b)

14 COVID-19: A Gender Lens, Technical Brief (see Alon *et al*., 2020)

15 On the other hand, it could also benefit women in certain ways (for example, it could lead to increased father's childcare responsibility, with fathers increasingly working at home, increased flexibility in workplace arrangements, and increased jobs and business opportunities in the health sector). For details, see Alon *et al*., 2020, pp. 21-22.

16 For a detailed discussions on these domestic barriers, see International Trade Centre (2015);

agreements have the potential to help women increase their limited access to vaccines. However, it is important to consider that none of the mentioned agreements are signed or negotiated by India. Hence, these discussions cannot show how the existing agreements that India is a party to can help in reducing the existing vaccine gender gap in India. However, the discussion on agreements signed by other countries seeks to highlight the importance of planning future Indian trade accords with provisions that can address crucial non-economic problems as well.

Can Trade Agreements Help?

Trade agreements have the potential to help women increase their access to vaccines and mitigate the vaccine gender divide for two reasons in particular. First, the existing and future agreements between countries can increase trade flows, which can lead to more business and employment opportunities for all, including women. This, in turn, could increase women's access to vaccines, as studies have found a positive correlation between women's economic empowerment and their access to vaccinations. Secondly, through regional or bilateral trade accords, countries can encourage their trade partners to reduce social barriers and create helpful conditions for women to prosper economically, culturally, and socially.

In particular, trade agreements with legal provisions that generally relate to the protection of women's interests and address gender equality concerns can be useful in various ways. This section categorizes the discussion on existing trade agreements and the ways in which they can help in the following three subsections: (a) increasing women's access to health benefits; (b) increasing women's access to education, including digital literacy; and (c) eliminating gender-based discrimination and violence.

a) *Women's access to health benefits*

Various trade agreements currently in force can help women gain an increased access to health services and benefits. The EU-Central America

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For more details on gender mainstreaming in FTAs and a tool-kit to help negotiators gauge gender responsiveness of trade agreements, International Trade Centre (July 8, 2020).

FTA[17] can be used as an example here, as the parties in this agreement seek to work on various social issues, including gender equality with a specific focus on women's healthcare.[18] The parties to this agreement seek to enhance women's safety, as the agreement includes a commitment to protect the lives of women against anti-personnel mines.[19] This commitment on women's safety could be interpreted to include health safety and safety against the risk of contagion. Hence, these kinds of legal provisions can be used to promote women's access to vaccines that can immunize them against a viral contagion.

Article 47 of the same agreement is a stand-alone provision on gender, and contains multiple cooperation-styled promises to work on women's equal participation in economic, social, and cultural life, as well as integration of gender perspective in public policies, development strategies, and policy actions. It also seeks to equate women's and men's access to services and resources relating to education and healthcare. These legal commitments can help increase women's access to health services, as well as in influencing the cultural life of people in the signatory countries through creation of public policies and policy actions focused on enhancing gender equality. This provision also encourages the development of gender-inclusive policy action, and can therefore be employed to persuade trade partners to take gender-responsive policy decisions regarding the dissemination of COVID-19 vaccines in their respective jurisdictions. Article 44 is another best practices provision focused on women's health, as it seeks to address health priority areas, such as sexual and reproductive health, and the care for and prevention of sexually transmitted diseases and unwanted pregnancies. This provision may not have a direct impact on the situation of vaccine inequity in the pandemic's context, but it nonetheless stresses the importance the parties of this agreement ascribe to healthcare concerns of women in their jurisdictions.

17 Free Trade Agreement between the European Union and Central America (enforced, 01, Aug, 2013).

18 Free Trade Agreement between the European Union and Central America, Art 13.

19 Free Trade Agreement between the European Union and Central America, Art 32.

In the United States-Mexico-Canada trade Agreement (USMCA),[20] parties commit to various cooperation activities.[21] One of the covered aspects is the elimination of discrimination on the basis of sex regarding employment, occupation, and wages. The other aspects are the consideration of gender issues related to occupational safety and health, and the prevention of occupational injuries and illnesses. This provision can have a direct bearing on the administration of COVID-19 vaccines, as being vaccinated against the life-threatening coronavirus (and its mutations) can be considered a matter of occupational safety and a measure to prevent occupational illnesses. In essence, this provision can force employers to take up the responsibility of disseminating vaccines.

Another example is the Eurasian Economic Union,[22] wherein parties require employers to provide compulsory medical insurance to pregnant women and mothers if they are migrant laborers or if they are involved in the production and processing of goods that may bring in health risks. This provision seeks to protect pregnant women and nursing mothers, as laborers involved in the process of production, design, manufacturing, construction, installation, operation, etc. may be at a higher degree of health risk.[23] This provision may not be directly related with vaccination concerns and immunization of female workers against viruses, but nevertheless underlines the importance the parties of this agreement ascribe to extending health protection to migrant female workers, particularly those in industries that pose a high degree of health risk to their employees.

b) *Women's access to education and digital literacy*

Countries in various trade agreements have assumed commitments to enhance women's access to educational opportunities. In EU - Algeria,[24]

20 United States-Mexico-Canada Agreement, (enforced, July 1, 2020), (hereinafter, 'USMCA').
21 United States-Mexico-Canada Agreement, (enforced, July 1, 2020), (hereinafter, 'USMCA'), art. 23.12.
22 Eurasian Economic Union (EAEU), Customs Union & Economic Integration Agreement, (enforced Jan 1, 2015.)
23 Eurasian Economic Union (EAEU), Customs Union & Economic Integration Agreement, (enforced Jan 1, 2015.), art 96.
24 Free Trade Agreement Between the European Union and Algeria, (enforced September 1, 2005), art 78.

parties promise to seek cooperation activities to ensure equal access to all levels of education and training without any discrimination based on gender, among other things. They also promise to increase the female population's access to education and technical training.[25] In EU-Lebanon,[26] parties intend to work on various aspects, including efforts to encourage the female population's access to education, including technical and higher education and vocational training.

A similar provision is also found in EU-Egypt,[27] wherein parties seek to enhance women's access to higher education and training.[28] Both this and the EU-Jordan agreement[29] are unique in the sense that the involved parties seek to align national laws and policies with the objective of gender equality through the effective use of education and media. Yet, these provisions do not identify the type of education the parties might focus on, nor if such educational breaks would include trade and finance training to prepare women for business opportunities. Such a clarification is vital, especially because women remain underrepresented in lucrative fields of education (such as science, technology, engineering, math, finance, and business management).[30]

Countries who have negotiated other such agreements have clarified the kind of educational opportunities they would work on enhancing. In the Canada-Israel FTA, parties commit themselves to activities that focus on improving educational or skill development opportunities in fields that can translate to high-paid job opportunities for women.[31] This FTA is exceptional in this aspect, as most trade pacts only consider cooperation focused on education without identifying the kind of education, or on fields that

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25 Free Trade Agreement Between the European Union and Algeria, (enforced September 1, 2005),art 71. Similar provisions found in the Free Trade Agreement Between European Union and Tunisia, (enforced March 1, 1998), art 46.

26 Free Trade Agreement between the European Union and Lebanon, (enforced March 1, 2003), art 43.

27 Free Trade Agreement Between the European Union and Egypt, (enforced June 1, 2004).

28 Free Trade Agreement Between the European Union and Egypt, (enforced June 1, 2004), Art 42.

29 Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, on the one part, and the Hashemite Kingdom of Jordan, on the other part (enforced, May 1, 2002)

30 'The Pursuit of Gender Equality: An Uphill Battle' (Gender *OECD*, 2017) <https://www.oecd.org/gender/the-pursuit-of-gender-equality-9789264281318-en.htm> accessed February 16, 2022.

31 Free Trade Agreement Between the government of Canada and the government of the State of Israel, (enforced January 1, 1997), art 13.3.

have traditionally been reserved for women (such as farming, handicraft, textile, and fisheries).[32] With education that can lead to lucrative employment opportunities for them, women have a higher chance of receiving vaccinations, since studies have shown a positive correlation between women's economic independence, decision-making, and bargaining power, and their access to vaccinations (Fu *et al*., 2014).

Another problem that is being dealt with in some recent trade agreements is the digital divide, as more men than women continue to have access to and use of the Internet in all regions of the world (Plan International, 2018). Although several FTAs deal with digital inclusion, the Digital Economy Partnership Agreement (DEPA)[33] between Chile, New Zealand, and Singapore (South Korea has just initiated the process of joining), is a lea-ding example, as it includes specific language to emphasize digital inclusion for marginalized groups, including women. This is an agreement wherein parties recognise 'the importance of expanding and facilitating digital economy opportunities by removing barriers', and cooperate 'on matters relating to digital inclusion' (Plan International, 2018). Further, joint committees and contact points are established to oversee the implementation of these provisions.[34] Another example is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ('CPTPP'),[35] wherein parties consider undertaking cooperative activities aimed at enhancing women's access to technology. The UK-Australia FTA[36] is another recent example that merits consideration here. In this FTA, parties recognise the global nature of digital trade and the need to facilitate women's participation in digital trade and technology.[37] An enhanced access to digital know-how and infrastructure can allow women to receive accurate and relevant information about vaccination benefits, and enable them to access digital platforms created to manage their vaccine appointments.

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32 Free Trade Agreement Between the government of Canada and the government of the State of Israel, (enforced January 1, 1997), art 13.3

33 Digital Economy Partnership Agreement ("DEPA") between Singapore, Chile, & New Zealand (enforced January 7, 2021).

34 Digital Economy Partnership Agreement ("DEPA") between Singapore, Chile, & New Zealand (enforced January 7, 2021), Art 12.1

35 CPTPP, art 23.4.

36 Free Trade Agreement Between Australia and the United Kingdom, (signed December 15, 2021).

37 Articles 14.21, 24.1, and 24.2

c) *Elimination of gender-based violence and discrimination*

Some FTAs have recognized the problems of gender-based violence and discrimination, and their parties have assumed relevant commitments. One such FTA is the EU-South Africa agreement, wherein parties seek to engage in dialogue on issues related to social problems, including violence against women and the discrimination regarding occupation among other things.[38] In EU-Central America,[39] parties intend to enhance women's safety, and include in the agreement a commitment to protect the lives of women against anti-personnel mines.[40] Moreover, Article 41 of the agreement, on Social Cohesion, includes a commitment to combat xenophobia and discrimination on the grounds of sex (amongst other grounds).

A number of existing FTAs contain provisions on curbing discrimination. In the USMCA, parties commit to cooperate on various labor aspects.[41] One of these aspects aims to eliminate discrimination on the basis of sex regarding employment, occupation, and wages. The other aspects are the consideration of gender issues related to the prevention of gender-based workplace violence and harassment. Another agreement worth mentioning in this regard is the EU-Overseas Countries and Territories agreement.[42] Here, the parties commit to non-discrimination based on sex as one of the main objectives. An objectives clause is a vital part of any international instrument or agreement. This is because, according to Article 31 of the VCLT, a treaty shall be interpreted in accordance with the ordinary meaning of its terms and in light of the treaty's objective and purpose. Hence, the objectives clause can be instrumental in determining the intentions of the negotiators or drafters of an agreement at the time of conclusion.[43]

38 Free Trade Agreement Between the European Union and South Africa, (enforced, January 1, 2000), art 86.

39 The European Union and Central America Association Agreement, (signed June 29, 2012).

40 The European Union and Central America Association Agreement, (signed June 29, 2012), Art 32

41 USMCA, art 23.12.

42 Free Trade Agreement Between the European Community and OCT (enforced January 1, 1971).

43 Article 31 of the Vienna Convention on the Law of Treaties requires that an agreement must be interpreted in light of its context, object, and purpose [Vienna Convention on the Law of Treaties, 1155 U.N.T.S. 331, 8 I.L.M. 679]

In disputes arising out of a given agreement, adjudicators can consider the wording used in the preamble to identify the parties' objectives and intentions underlying an agreement.[44]

Another development in this regard is the recently signed Global Trade and Gender Arrangement.[45] In August of 2020, Chile, Canada, and New Zealand signed this arrangement as a standalone and independent instrument. In the context of trade in services, the parties undertake actions to ensure that no sex-based discrimination is made relating to licensing requirements and procedures, qualification requirements and procedures, or technical standards related to authorization for the supply of a service.[46] Legal provisions that seek to combat discrimination against female workers can help enhance women's access to health facilities, including vaccination centers. These provisions are aimed at helping women gain confidence to work and thrive by ensuring that their workplace cannot discriminate against them solely based on their gender. This confidence can translate, for some women, into an increased self-reliance in other spheres of their lives, including the power to make decisions about their bodies and health in home and family contexts.

Conclusion

The discussion in the previous section shows that a range of trade agreements have potential to reduce the vaccine gender gap. However, India is party to none of these agreements. Throughout this chapter, the author seeks to draw the attention of Indian trade policy makers to the way in which other regions and countries have deployed their trade agreements, engaging with various

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44 The general rule of treaty interpretation is enshrined in Article 31 of the Vienna Convention on the Law of the Treaties (VCLT) [Vienna Convention on the Law of Treaties, 1155 U.N.T.S. 331, 8 I.L.M. 679]; The WTO's Appellate Body has pointed out that the general rule of interpretation as such forms part of the 'customary rules of interpretation of public international law', and that it must apply these rules in clarifying the legal provisions. [United States - Standards for Reformulated and Conventional Gasoline, WTO Appellate Body Report WT/DS2/AB/R, April 29, 1996, para 17]

45 'Global Trade and Gender Arrangement' (*Government of Canada*) <https://www.international.gc.ca/trade-commerce/inclusive_trade-commerce_inclusif/itag-gaci/arrangement.aspx?lang=eng> accessed July 2, 2021.

46 *Ibid*, at 4, 5, 6.

social problems. The author also tries to demonstrate how trade agreements, if negotiated with a gender lens, have the potential to enhance women's access to health services, including immunization vaccines.

The world economy will suffer even more if women, who account for one half of the world's working-age population, are further excluded from the social and economic recovery in the post-COVID-19 world. Women are the most affected by this pandemic, but will also form the backbone of economic recovery in almost every country. Hence, future trade policy responses must recognize this and include women at the heart of the COVID-19 response. Placing women at the center of economies will lead to a swifter recovery, which will put us back on track to achieve the Sustainable Development Goals.

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Inclusive Development and Healthy Democracy as Imperatives of Economic Growth in Post-Pandemic India

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Summary

As an emerging economy, India showed a remarkable performance at macroeconomic levels before the pandemic. However, in relation to the Human Development Index, which calibrates the actual living conditions of people, the balance has been poor. The HDI reveals the limitations of standard indicators, such as GDP, to illustrate the improvement in human development, a concept that comprises aspects such as life expectancy and the access to education, social security, and health. Based on Amartya Sen's views on economics, this underscores the notion of development as liberty, where human beings are at the center of the economic system. The HDI reveals that economic development does not necessarily concur with the welfare of the population, mainly when there are no efficient public policies addressing social issues so that people can have better lives.

Framing the discussion on the parameters of the HDI, this chapter analyzes structural aspects that have constrained inclusive development in India, leaving backward groups such as dalits or untouchables, tribal groups, and even some cultural minorities, behind. In this sense, political faults in

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the Indian democratic system will also be examined to appraise how the current political culture implements exclusionary measures to the detriment of the well-being and development opportunities for the marginalized sectors. The contention here is that a good performance by India in economic growth will be limited, unless amendments are implemented to accomplish an inclusive development in a post-pandemic period.

Introduction

As a member of the BRICS group[2], India has drawn attention for its economic performance, described as outstanding at different junctures. The 1990s inaugurated a period of economic schemes that relied on liberalization against a statist model with an overwhelming bureaucracy and sharp restrictions to private players. The advantages of a liberalized Indian economy became perceptible mainly during the 2000s. This decade witnessed an increase in Gross Domestic Product (GDP) and the country's share of world trade, as well as a consistent development of the service sector. However, fault lines also persisted, despite the liberal policies and economic growth. The inequality, poverty, and lack of access to public services for a vast social sector, such as health and education, were already challenging enough before the COVID-19 pandemic, even though poverty had been substantially reduced since the period of socialist political approach.

In addition, the current political landscape of the Indian subcontinent has also registered social unrest amidst massive protests and demonstrations, which challenged the Citizenship Amendment Act (CAA) in 2020 for what was perceived as a bias against cultural minorities. The marginalization of certain groups from social programs based on cultural nationalism[3] has also been an obstacle to develop opportunities for those

2 Acronym for Brazil, Russia, India, China, and South Africa, countries considered to have emergent economies.

3 This ideological expression advocates the idea of the superiority of one's own culture. Hence, this culture would be the legitimate recipient of collective power, and also the normative model of nation (Aloysius, 1997).

who are not considered as real citizens of India. This situation, along with previous disadvantages, worsened the effect of the pandemic itself.

Objective and methodology

The objective of this chapter is to examine the pandemic's impact in India across different spheres and discuss an eventual recovery scenario in a post-pandemic period. In this sense, particular emphasis will be placed on exploring the imperatives for inclusive development, since the health crisis has undoubtedly produced hardship and deeper poverty for the Indian population. There have also been serious persistent disparities and vulnerabilities that have inhibited the amelioration of living standards for certain social sectors. While unsuitable public policies underlie this state of affairs, the contemporary political culture, that excludes some minority groups from the support needed to counter their precarious situation, facilitates the persistence of asymmetrical social progress.

Concomitant with the volume's main concern of appraising the multidimensional economic consequences of the pandemic in India, the central idea of this chapter is that preexistent inequalities and structural weaknesses enabled a fertile ground for COVID-19 to have a huge impact in the Indian context. It is contended that the economic paradigm implemented so far has not been sufficient to meet the needs of vast groups of citizens. A state prioritizing the private sector and a pro-business stance to enter the global economy has neglected its role of providing essential services to its citizens, such as health care. This might reveal a refusal to put human beings at the center of development. Additionally, if the model implemented is crossed by political motivations, the structural limitations for development become more salient. This, in turn, affects the proper realization of democracy, which in an ideal-type construction must preserve equality, justice, freedom, and human rights.

The analysis undertaken here rests on a comparative approach between different development indicators, assessed in a historical trajectory of India's economic performance. On the one hand, the focus will be on the traditional calculation of Gross Domestic Product, that spells out the progress at a macroeconomic level; on the other hand, focus will be placed

on the Human Development Index (HDI)[4], which might complementarily contrast GDP figures, to have a more complete picture of the people's living conditions. The comparison of both indicators will allow us to observe, in a broader perspective, to what extent economic growth alone stands for the improvement of the lives of people. By comparing the figures of GDP and HDI, the successes, fragilities, and challenges of the Indian economic paradigm will be elucidated.

There is a solid correlation between GDP and the HDI, as they explore and measure a given country's accomplishments in both economic and social development (Roser, 2014). The consensus on the idea that economic development is a fundamental aspect to achieve human development is clear. But this does not happen spontaneously, public policies are required so that the resources of economic growth are better allocated and redistributed among the population (Ahmad, 2020). This is why even triumphalist GDP figures provide limited information regarding how individuals improve their lives. The HDI, by contrast, is more revealing of the well-being people achieve in relation to the public policies implemented. Therefore, focusing on both factors is fundamental to accurately appraise the accomplishments in terms of development.

Likewise, relying on the perspective of political theory, the features of democracy in India will be also discussed to evaluate some structural frailties in the system. These frailties have prevented an inclusive development over time, a condition further aggravated by the pandemic. Only by looking from different angles at the emergency and the preconditions that potentialized its consequences will it be possible to visualize and discuss solutions that might help sort the crisis out eventually.

Thus, first of all, a brief historical overview of Indian economic performance will be provided to trace breakthroughs and accomplishments so far, as well as to contextualize what could be considered current inconveniences in developmental schemes. Examining these elements against the backdrop of the emergency will shed light on what development in post-pandemic India should incorporate, not only concerning the economic aspect, but the political one as well. To address the second

4 The Human Development Index states that people and their capabilities must be the essential criterion for assessing the development of a country, and not only economic growth (Roser, 2014).

issue, the current state of the democratic system will be examined, since cultural nationalism has played a major role in national politics, causing pluralism in India to be undermined.

Contrasting Gross Domestic Product and the Human Development Index

After three years of the pandemic, economic recovery is perceptible in India. Fiscal year 2021-2022 rose GDP to 9.1%, but in FY2022-2023, GDP slowed to 7.1%. In addition, in FY2023-2024, India is expected to grow between 6% and 6.3%, which still means a good health of Indian economy (Majumdar, 2023). But as the World Bank has pointed out, it will also be essential for India to concentrate efforts on reducing inequality (World Bank, 2021), a condition that materializes as a reduced share of growth and wealth, fewer economic opportunities, and very limited upward mobility for people (Ghatak, 2021). Conventionally, the development of countries has been measured in terms of economic growth, and Gross Domestic Product has become the indicator of prosperity and wealth *par excellence*. However, since GDP assesses the production of goods and services, it does not reflect the actual socio-economic situation in households (Castro and Prasad, 2018). In other words, information about the extent to which people benefit from economic growth is absent by focusing exclusively on GDP.

Given this analytical disassociation between performance at a macroeconomic level and the living standards of the population, the latter is not always considered when appraising successful growth in the economy. However, as mentioned above, other indicators, such as the Human Development Index, are more accurate at measuring the quality of people's lives in terms of education, medical care, and life expectancy. Thus, even if growth and development are closely related, an overemphasis on GDP to measure progress obscures the notion of development itself, which should be problematized and explored in its broader semantics.

Amartya Sen's ideas on development expand the connotations of the concept. Development is related to the achievement of a better life, accomplished by "the removal of various types of unfreedoms that

leave people with little choice and little opportunity of exercising their reasoned agency" (Dréze and Sen, 1999, as cited in Deneulin, 2006). Hence, if the notion is associated with income and economic growth alone, it misses the fact that the well-being of people depends on the access to prosperity determinants, such as health, education, and decent living standards (Barder, 2012). A premise derived from this notion of development is that the state must provide the means to expand its population's capabilities of improving their own living conditions.

In the reasoning suggested by Sen, the features of the Indian economy and development before the pandemic were not satisfactory. The economy was already slowing down and private consumption and investment had decreased. However, from the 1990s onward, the subcontinent has gone through cycles of good economic performance and deceleration, basically measured through GDP. Contrary to this, in terms of the Human Development Index, India has done rather poorly. The HDI takes different components of human development as criteria to appraise the welfare situation of a country, such as living a healthy life, having access to education, and having a respectable living standard (UNDP, 2021). All of these together provide alternatives and freedom for the fulfillment of human beings. Among other things, the information provided by the HDI talks about the public policy options and governmental priorities for different countries (UNDP, 2021)

Observing India through the lens of this indicator, the nation was in the 131st position out of 189 countries in 2020. Due to the pandemic, the country dropped one spot from 2019 (Dhawan, 2020). However, its performance in this aspect has been unfavorable on a regular basis. Thus, it is worth inquiring on what factors have contributed to this situation, and why there has been such a dissonance between macroeconomic indicators and the human development issues that have been the main concern since before India's independence.

In the 1950s, after three years of having gained sovereignty, India undertook the project of upgrading the living standards of people (Adhia, 2015). Its economic development strategy was to accomplish swift industrialization (Guha, 2007, p. 214). The aim was to become autonomous and not depend on foreign countries (Nehru, 1949, p. 559), an idea that, to some extent, echoed the Gandhian nationalist paradigm of *swadeshi* or

self-sufficiency (Guha, 2007, p. 216). Thus, the production of basic and heavy industrial goods was privileged over the streamline of the agricultural sector. This took place within a historical and social context where three-fourths of the population depended on agriculture as the source of livelihood (Adhia, 2015). The manufacturing of consumer products, the uplifting of agricultural productivity, and the provision of better housing, health, and education were also considered, but only as minor goals (Guha, 2007). The strategy found limited success, and during its first three decades as an independent nation, India's growth was 3.5%, which rose to 5.5% from 1980 to 1992 (Anklesaria, 2016).

The 1990s witnessed the announcement of major economic reforms by the government, which sidelined the socialist model and adopted liberalization, privatization, and globalization as guiding principles (Adhia, 2015). These changes in the economy were embedded in a political transformation as well. What some scholars have identified as the "Nehruvian consensus" comprised the project of a self-reliant economy, secularism in politics, and a non-alignment foreign policy, and its disintegration, along with the weakening of the Indian National Congress as a major political actor, marked the end of an era and the beginning of a new one. The era of a "globalizing economy" (Menon and Nigam, 2007, p. 3-4).

Some outcomes were positive: growth in the 1990s averaged 6.3% annually, and the number of people living below the poverty line reduced from 50% to 34% between 1993 and 2009 (Adhia, 2015). And before the pandemic, a United Nations estimate registered 28% of the population living in poor conditions in India, which indicates ongoing progress in this matter. However, given the extension of the Indian population, this figure translated into 364 million in 2019. Since the pandemic struck, many more millions have fallen into poverty and lived on an income of $2 or less per day (Mahapatra, 2021). To add complexity to the situation, caste provenance has an impact on the possibilities of achieving well-being. The lower the caste or tribe, the lesser opportunities. Five out of six people belonging to lower castes or tribes undergo multidimensional poverty (The Times of India, 2021). Living in this circumstance "encompasses the various deprivations experienced by poor people in their daily lives, such as poor health, lack of education, inadequate living standards, poor quality

of work, the threat of violence, and living in environmentally hazardous areas, among others" (The Times of India, 2021).

Despite the advances that were accomplished in reducing poverty before the pandemic[5], living conditions have not been systematically ameliorated. Poverty decline does not embody an adequate provision of public goods or access to welfare determinants. In spite of "the historic escape from poverty" (Sachs, 2005, as cited in Guha, 2007, p.707), a rather limited reduction of deprivations has been evident, especially in access to education, health care, and social security. It is before this context that Sen appeals to a more comprehensive view of economic development, one focusing on human well-being and social opportunity rather than the conventional indicators of economic growth (Drèze and Sen, 1999). Between 1990 and 2019, India's HDI value increased from 0.429 to 0.645, which translates to an expansion of 50.3%, and this places India in the category of medium human development. But when the coefficient for inequality is discounted, the HDI falls to 0.475, which means a loss of 26.4% due to the disparity in the distribution of the issues considered in the HDI (UNDP, 2020).

The prevalence of these figures reveals that a more emphatic focus on human development is needed, and must start with the understanding that the growth's ultimate goal is the improvement of the well-being of individuals. The expenditure in developmental and non-developmental components, which will be explored below, reflects that the state's priorities have not taken the expansion of the human capabilities required for people to transcend their current precariousness and accomplish respectable living standards into consideration. This reverberates Thomas Piketty's words about inequality being a political choice. The inefficient rendering of basic public services and the underfunding and absence of supervision of government schools and clinics mean that vast social segments lack proper medical care or education, even if the constitution of India ensures the "right to health" for all. The stipulation of free universal access cannot be considered a guarantee of quality services and total coverage. Therefore, there must be a transit to proper implementation

5 During the decade of 2005-2015, 273 million people were lifted from poverty (Business Standard, 2020), but this trend would have been consistent with a process starting in 1999, according to the Oxford Poverty and Human Development Initiative (OPHI), (Alkire and Seth 2013).

from statutory enunciation. The next section will review the current situation of health and education provision, visualizing the major challenges ahead, not only to recover the pace of growth, but also to accomplish a better redistribution of the outcomes of that growth.

Health and education deficit in pre-pandemic India

Amidst a deficit in the health system, India was severely hit by the pandemic. Its healthcare structures were put under much pressure, as in most of the world. But beyond the unprecedented emergency, the aspects previously alluded to —lack of funding and supervision and evident neglect of its medical infrastructure— potentialized the crisis in the subcontinent. A study published in 2018 in a medical journal, *The Lancet*, compared countries on access to health services and health care quality. India ranked 145 out of 195 countries (Parveen, 2018), having one of the lowest health care expenditures in the world and allocating only a minimum percent of GDP for this concept (Kasthuri, 2018). India's health system could be considered as conveniently structured. There are three layers: a "first care system at the village level", a "secondary care system to cover smaller urban centers", and "tertiary care for specialized treatment" (Jain, 2021). However, inadequate funding has resulted in a deficient healthcare public sector unable to meet the needs of the individuals (Kasthuri, 2018). The budget for public healthcare in India is only 1.26% of the total GDP (Mondal, 2021).[6] In comparison, the expenditure on defense is 2.9% of GDP, or 22.61% of the total of non-developmental expenditure (Devasia *et al*., 2020, p. 118), and India's status as a nuclear power demonstrates both state priorities and where the major efforts have been made.

Moreover, a deficit of medical staff adds to the crisis in healthcare provision, and neither broad access nor adequate attention seems to be in the development agenda when the view of politicians is that "Health is a

6 Some countries spend 16% of GDP on the public health system, for example, the United States. Others, 10% percent; Japan, Canada, and France are in this group. But not only developed countries have greater spending than India in providing medical care. For example, Bangladesh and Pakistan allocate 3% of GDP (Mondal, 2021).

thing for the rich. We in India have to focus on getting bread to the poor." As late Sushma Swaraj expressed in the 2000s (Jain, 2021). In this state of affairs, middle classes do not opt for this system, hence authorities do not feel pressured to improve it (Adhia, 2015). These social segments can afford the services of the private medical care that an abandoned public health system has helped proliferate. In 2018, about 75% of healthcare spending came from the resources of households (Kasthuri, 2018).

The 1990's economic liberalization produced the expansion of healthcare services at the hands of private actors that were already present in the Indian landscape since the late 1970s. In parallel to the thriving of the private medical industry, there was a more critical decline of state-run facilities, which produced something similar to "a system of medical apartheid" (Krishnan, 2021). Therefore, those suffering from this frail infrastructure with intrinsic fault lines, such as scarcity of health workforce and precarious premises, are the most vulnerable groups in society. Many of them are forced to assume debt burdens to get medical attention when public clinics face impediments to provide the required services (Oxfam International, 2021).

Along with health, education is another sphere related to human development that is not sufficiently addressed. From the total GDP, India spent only 3.1% in 2019-2020, going against the recommended 6% (Khaitan, 2021). The vulnerabilities of the educational system have been reflected over time in the students' modest learning outcomes. Even before the pandemic, children were unable to read properly or complete activities at their grade level (Khaitan, 2021). Weak infrastructure, the decline in enrolment, and schemes such as the "no-detention policy" —compelling schools to promote children to the next grade, even if they are not ready— have contributed to low standards in education (Kumar, 2019). Additionally, public health issues, like the pervasiveness of both under- and over-nutrition, also affect the performance of education. Studies undertaken in this regard reveal that undernutrition in early childhood impinges the preadolescent phase, while being connected to both physical and cognitive sequels (Soni *et al.*, 2021).

Due to COVID-19, 320 million students have been affected by school closures (Sahni, 2020). The sudden migration to online teaching made the digital divide evident, since less than 25% of Indian households had

internet access in 2017-2018. This disadvantage includes teachers as well, who are not very well-equipped for online teaching (Sahni, 2020). Moreover, scarce or inexistent digital capabilities in the remotest and poorest communities remains an unsolved issue that deepens the crisis of education. The government's proposed reduction of spending on education for this year does not seem to visualize the disruption caused by the pandemic, expressed in exacerbated students' learning loss and school dropout rates (Chopra, 2021).

As is the case with health, education is a public good that enhances people's capabilities. This is accurately understood by social actors who struggle to get this benefit. For instance, many rural *Dalits* (formerly referred to as untouchables) do not hesitate to incur debt or mortgage what little they own to obtain a formal education (Shah *et al*., 2006, p.146). In their view and experience, education not only paves the way for social standing, but, as many fortunate instances have revealed, is the way out of economic backwardness, and to recover the self-respect they have been deprived from through insidious social stigma. According to their perception, "getting [their] self-respect back is [their] constitutional right" (Desai and Maheria, 2002, as cited in Shah *et al*., 2006, p.145).[7]

Public policies are central to designing good schemes for public spending. Divided into non-developmental and developmental expenditure, the allocated resources can be asymmetric. Non-developmental spending includes the cost of tax collection, the printing of notes, expenditure on defense, interest payment, etc., whereas developmental expenditure comprises education, medical care, public health, employment, agriculture, transport, and communication, or crucial aspects for the development of a country in general (Devasia *et al*., 2020, p. 115-116). Between 2016 and 2017, India assigned 35.21% of its expenditure to developmental projects and 57.88% to non-developmental ones (Devasia *et al*., 2020, pp. 115-116). Facing this imbalance, scholars have advised reducing some expenses included in the non-developmental category, such as defense services, which consume an important share of the total non-developmental concept (Devasia *et al*., 2020, p. 121). In addition, there is a

7 Many Dalit sectors draw inspiration from Dr. Ambedkar, a Dalit leader who called his peers to "educate, organize and struggle" (Shah, *et al*, 2006, p 145).

consensus about developmental expenditure being more productive than non-developmental expenditure, since it promotes the expansion of the national economy by creating jobs and the conditions to reduce inequality and poverty (Eswaran and Selvamurugan, 2018). The current expenditure scheme in India might imply a conception of economic growth in which human development is not necessarily at the center.

Indian democracy and its vicissitudes

As mentioned, state policies have the substantive role of coping with the generation and distribution of essential public goods intended to increase the living standards of citizens in all sectors of society, no matter their cultural background. In the current political environment, the notion of citizenship has gained salience. India is considered a democratic nation that stands for cultural pluralism and whose constitution accommodates differentiated rights, like cultural rights for minorities or affirmative action for deprived social sectors, for instance.[8] Likewise, legal pluralism expressed in different religious family laws, Hindu or Muslim, has been respected. (Bajpai, 2017).

At present, and contrary to the mandates of the Indian Constitution, controversial measures that encroach on minorities and other groups' rights are being implemented. The approval of the Citizenship Amendment Act in 2020 is said to be intended for sheltering and, eventually, granting citizenship to minorities subject to persecution. This applies to Sikhs, Jains, Parsis, Christians, and Buddhists coming from Bangladesh, Afghanistan, and Pakistan, but segregates Muslims, who would not have such eligibility. The argument is that the referred countries have Muslim majority populations, and therefore do not suffer oppression.[9] This denotes dis-

8 Positive discrimination is a constitutional provision instrumented to reserve quotas for backward groups in education, government administration, and political representation, e.g. the Scheduled Castes, the Scheduled Tribes, and Other Backward Classes. This spectrum fluctuates from extremely poor to disadvantaged segments (Heyer and Gopal, 2009).

9 But Muslim groups do face persecution. For instance, Ahmadis in Pakistan, Rohingas in Myanmar, or Hazaras in Afghanistan, so their omission from the CAA is biased (Mehta, 2020).

crimination grounded on religion, and might leave the door open for increasing sectarianism and xenophobia against this minority.

In this sense, the pandemic, or rather its political capitalization, has also been an opportunity to stigmatize minorities. An increase of islamophobia has been sensed in the Indian public arena. Accused of being plotters of "Corona-jihad" after an Islamic seminary resulted in an outbreak of COVID-19, Muslims have become the target of attacks and boycotts (Gettleman *et al.*, 2020). Politicians of the ruling party, the Bharatiya Janata (BJP), have summoned people to oppose Muslims by identifying them as terrorists and anti-nationals. While fake news and videos endorsing BJP's distortions circulated on social media, reports of Muslims being either assaulted or segregated from receiving medical care increased, and even mosques have been vandalized (Aljazeera, 2020).

The pandemic has undoubtedly represented a juncture where the religious divide has exploded. However, religious communities have not coexisted without problems. Historically, an intricate social dynamic has been articulated, and communal strife has not been absent. However, as archival documents prove, there have been instigators to promote division in many instances. Hence, the pandemic embodies both a continuity, in the implementation of divisive strategies, and a rupture, as an unprecedented biological emergency.

From an optimistic perspective, the end of the pandemic might dilute this specific stigmatization of Muslims. However, plans such as the CAA and the National Register of Citizens (NCR), a list that includes those accounted legal citizens of India, represent more pervading forms of exclusion.[10] Through them, Muslim sectors might be relegated from public developmental programs, while not being considered as qualified for citizenship. From this derives the conclusion that discrimination has been officialized through the implementation of the CAA and the NCR. The UN High Commissioner for Human Rights (OHCHR), Michelle Bachelet,

10 To be eligible for the NCR, people have to prove they are Indians in a complex scenario where there is a significant underreporting of births, according to UNICEF. This means many people might not have birth certificates to corroborate their nationality, with older generations being in this situation too. The outcome might be a number of stateless people, mainly Muslims, since they are not considered suitable for Indian nationality in the perspective of CAA (Shankar, 2019).

expressed her concern about this law, stating that it is "fundamentally discriminatory in nature" (The Wire, 2019). This causes distress to increase, considering the preexistent marginalization of Muslim sectors.

According to information provided by both the Gopal Singh High Commission in the 1980s and the Sachar Committee (2006) which was appointed to determine the social, economic, and educational status of Muslims, some segments of this community lag behind other groups of the population. This is perceptible in their backward socio-economic status (Engineer, 2008, p. 82). This state of affairs exposes the Indian democracy's fragility, which causes difficulties individuals or specific groups to accomplish their insertion and development in a society characterized by being plural.

Developmental schemes during the BJP tenures have not only excluded cultural minorities. The economic agenda has also been unfavorable to other groups, such as farmers. This sector has widely protested against farm policies aimed at deregulating the market and perceived by them as detrimental to their already vulnerable situation (Mitra and Mogul, 2021).[11] Massive protests, though, are only one of the outcomes from the instability and pressure farmers have been put through.

A dimmer aspect of the precariousness of several farmers and their productive sector is the number of agriculturalist suicides. According to some studies exploring this phenomenon, crop failure and increasing debt burdens are the main motives for farmer suicides, but other factors are also influential, such as reduction in rural and agricultural investments and infrastructure, absence of social security, and lack of an effective mechanism to tackle the severe fall in price of farm products (Talule, 2020). Even though farmer suicides are a recent issue produced during the BJP administrations, public initiatives to address this serious problem have been neither designed nor implemented.

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11 The Prime Minister declared he would cancel the legislation. The farmers, nevertheless, have some other claims, such as raising the minimum price of their produce, no legal action against some peers, and compensation for families of farmers who died during the protests (Mitra and Mogul, 2021)

Conclusions

As explored, despite the undeniable victories in recent decades, such as poverty reduction and broadening of literacy, many challenges lie ahead of India (and the world) in a post-pandemic scenario, both in economic recovery and social progress. It is clear that both inclusive development and a robust democracy must be the conditions *sine qua non* for successful economic growth, one that transcends optimistic figures of macroeconomic indicators and manifests in the improvement of living conditions for the people. With liberalization and globalization as the guidelines for the Indian economic paradigm, some improvements have materialized, such as the thriving of several Indian industries. However, if the components considered in the HDI are overlooked, uneven progress might persist. This will affect not only those who undergo deprivations, but society as a whole for coexisting in an unequal atmosphere of increasing tension. Thus, based on a different ethos, the rearrangement of its priorities, and the acceptance of its responsibilities, the Indian state might reduce the historical deficit of the economic structure so that disparities and inequality could be better alleviated.

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This publication delves into the interconnections between the COVID-19 pandemic, financialization, foreign trade and cooperation, and development in India. These distinct elements offer valuable insights into comprehending the emerging trends in the Indian economy, politics, and society in the 21st century. The hypothesis of this book is that COVID-19 had a significant impact on the Indian economy, society, and its financial and economic development, trade relations, investment expansion in Latin America, and democratic processes during the pandemic.

The work scrutinizes a range of topics, including trade and cooperation between India and Latin America, the gender gap in COVID-19 vaccination and trade agreements, inclusive development in post-pandemic India, and the links between financialization, fiscal and monetary policy, and the Indian banking system. The book is a collective effort by scholars from diverse academic backgrounds, countries in the Global South, and social sciences with expertise in India. Overall, the purpose of this book is to provide a relevant explanation of India's response to the COVID-19 pandemic in economic and political terms, as well as its prospects in a post-pandemic scenario.