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India after 75 Years of Independence: Reflections on Development and Persistent Challenges

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Introduction

The Indian economy has undergone profound transformations since independence from the British colonial rule, evolving through distinct phases of planning and policy shifts. Of course, there is a large literature on the subject, which is also full of serious contestations, and it is impossible to sketch even the major strands of the arguments with any justice. For a reasonable engagement with some of the major reflections on India's development trajectories since independence, readers may refer to; Chakravarty(1987),Byres (Ed.) (1998),Ghosh& Chandrasekhar (2006), Drèze & Sen(2013), Bhagwati & Panagariya (2014), Chandrasekhar, Ghosh& Patnaik (Eds.) (2015), Mody (2023).Core objective of this chapter is to engage with the current juncture; however, before we come to the present, a few very brief, almost telegraphic, remarks regarding the journey since independence may be in order to situate the context.

At the dawn of independence, India faced the challenge of nation-building while trying to overcome the deep scars of colonialism, widespread poverty, and underdevelopment. The primary focus of this period was establishing a framework for planned development. The government launched the Planning Commission in 1950, marking the beginning of state-led economic development through Five-Year Plans. In the first few years of the planning, emphasis was on agricultural and infrastructural projects, including public irrigation, reflecting the conviction that the state should take the lead in mobilising resources. The goal was to accelerate savings and investment to break out of the long-drawn stagnation, which was, in large measure, an outcome of the British colonialism. The strategy was influenced by the global economic consensus of the time, which favoured state intervention to address market failures, along with inspiration from the Soviet model of rapid industrialisation. During this period, the debate was not about the need for planning but about the kind of planning India should adopt (Jha, 2001).

The second phase, marked by the launch of the Second Five-Year Plan in 1956, saw a shift in focus towards public sector led rapid industrialisation, particularly in heavy industries. This phase, often referred to as the Nehru-Mahalanobis strategy, emphasised building industries that would produce capital goods—machinery to make machinery—viewed as the foundation for self-sustaining industrial growth. Public sector undertakings (PSUs) were given a central role in this strategy, with industries like steel, machinery, and infrastructure receiving major investments. This industrialisation drive laid a significant foundation for India's diversified industrial structure. However, the strategy also led to critical imbalances. In particular,

agriculture was somewhat neglected, and the industrialisation was relatively capital-intensive, limiting employment growth in a country with a vast labour reserves.

The 1960s were a period of crisis for the ongoing development trajectory. The country faced two wars (with China in 1962 and Pakistan in 1965), along with severe droughts in 1965 and 1966, which exposed the vulnerabilities of the economy, particularly in the agricultural sector. The food shortages and dependency on food imports underlined the need for a new focus on agriculture. The response was the Green Revolution (GR), which began in the late 1960s and continued through the 1970s and the subsequent decades. This phase prioritised agricultural modernisation, focusing on high-yielding varieties of crops, improved irrigation, and support through credit and price mechanisms. It is important to emphasise here that a conducive macroeconomic regime, in particular, the nationalisation of the banks in 1969, and the policy of priority sector lending played a major role in facilitating the strategy of GR. While the GR helped India achieve significant strides towards cereals self-sufficiency and reduce dependence on imports, its benefits were unevenly distributed, favouring wealthier farmers and regions with better access to appropriate infrastructure and other critical resources. Additionally, this period also witnessed rising inequality and growing unrest, as poverty remained widespread despite improvements in agricultural output as well as productivity.

To step up the pace of the economic transformation, after more than a decade of indifferent performance, especially outside agriculture, the government experimented with significant increases in spending, borrowing both domestically and externally, to stimulate growth, which certainly resulted in success on this front, with the rate of growth of GDP averaging close to five percent per annum for the decade of the 1980s. However, this strategy came at a high cost as Government borrowings led to a rapidly growing fiscal deficit and mounting external debt. Much of this borrowing was short-term, leaving India exposed to external shocks.

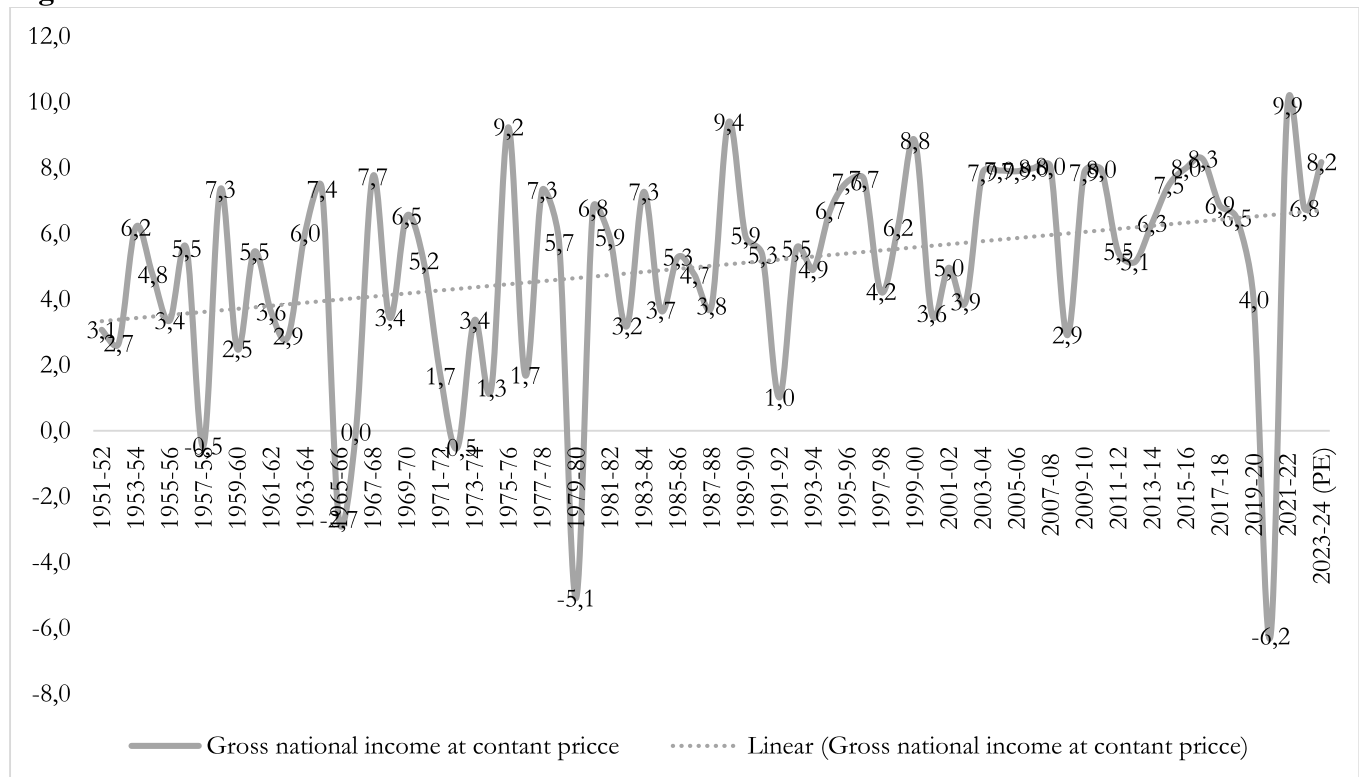
By 1991, India faced a so-called "balance of payments crisis", which prompted the government to implement significant economic reforms. However, the 1991 crisis was largely speculative in origin, rather than the one leading to an inevitable collapse of the earlier economic model (Patnaik and Chandrasekhar, 1995). The collapse was also due to the contradictions within India's pre-1991 *dirigiste* economic regime, which relied on state intervention to maintain growth while transferring resources to the private sector. These contradictions contributed to the fiscal crisis and the eventual shift toward liberalisation even before the 1991. The crisis provided an opportunity for proponents of liberalisation, supported by the IMF and World Bank, to push for structural adjustment policies, that marked a major departure from the state-led mixed economy framework, with India moving sharply to market-driven approach. Of course, the period since the so-called economic reform from the early 1990s, which is often also described as the phase of the neo-liberal globalisation, is characterise by significant twist and turn with respect to policies, and can be mapped as distinct sub-phases, but we stay away from these considerations here. This chapter engages with some of the critical aspects of the Indian macroeconomic landscape, with particular focus on a couple of major characteristics pertaining to growing inequalities, relative worsening of the world of work, and the challenges faced by the agricultural-dependent population; all these are strongly corelated with the ascendency of neo-liberalism since the mid-1980s. The next section provides a brief sketch of the growth and structure of India's national income and distribution of its gains. The following section maps some of the major markers pertaining to the changes in the world of work. The final substantive section is an attempt to sketch the contours of the agrarian distress during the

last three decades or so. We also try to highlight some of the majors corelates relating to the above noted developments.

Growth and Structure of GNP: A Snapshot

In the 1950s and early 1960s, the growth rate fluctuated significantly between 2and 8 per cent. A sharp decline occurred in 1965-66, where the growth rate was negative by 2 per cent. This period aligns with the impact of droughts, and external shocks like the Indo-Pak war of 1965, coming on the back of military engagement with China, impacted the overall economic output as well agricultural sector. The 1970s also show significant volatility in growth rates, with steep increases (above 8 per cent) and sudden drops (as low as -2 per cent in 1979-80). These fluctuations correspond to global oil crises, domestic political instability, and the ongoing challenges in agriculture and energy sectors. The early 1980s show relatively higher growth rates, peaking around 10 per cent in 1988-89. However, this period was followed by a sharp decline in 1990-91 as the economy faced a balance of payments crisis, leading to near-zero growth.

Figure 1: Gross National Income at Constant Price:



Source: Economic Survey 2023-24, Government of India

The transition to the NEP in 1991 was fundamentally based on the expectation of enhanced resource use efficiency, which was presumed to lead to improvements across various macroeconomic indicators, including output, employment, inflation, and external trade. However, the overall performance regarding these key indicators has been notably mixed. Specifically, when examining GDP growth rates over three decades—from 1990–1991 to 2000–2001, from 2001–2002 to 2011–2012, and from 2012–2013 to 2019–2020—it becomes clear that no consistent trend emerges, despite a noticeable increase in growth during the second

decade. By 1993-94, the growth rate stabilised at around 5-7 per cent. From the early 2000s to 2007-08, India experienced one of its highest periods of sustained growth, with GNI growth consistently reaching 7-9 per cent. The rise of the information technology (IT) and services sectors was a key driver of this high growth period, as India became a global leader in outsourcing and software development (Gupta and Blum, 2018; Patnaik and Pundit, 2014).

The 2008 global financial crisis had a notable impact on India's growth trajectory, with the GNI growth rate falling to around 3.1 per cent in 2008-09. However, India managed to recover relatively swiftly, with growth rebounding to approximately 8-9 per cent by 2010-11. Following this brief recovery, growth decelerated once again, dropping to around 5-6 per cent by 2012-13. This slowdown was largely attributed to policy paralysis, corruption scandals, and a decline in investment. Although the economy showed signs of recovery after 2012-13, the momentum faltered by 2016-17. While the mainstream discourse often attributes the post-2016-17 economic slowdown primarily to the pandemic, it's crucial to recognise that the growth rate had already begun to decline before the pandemic struck. The economic deceleration since 2016-17 reflects deeper structural challenges that predated the global health crisis.

Furthermore, the perceived economic recovery and high growth rates of the Indian economy after the COVID-19 pandemic have raised concerns about the accuracy of the official statistics. Methodological issues underpin these concerns, as several researchers (including Union Government's two former chief economic advisers) have questioned the veracity of the government's GDP growth figures (Subramanian, A. 2019). The India's actual GDP growth rate in recent years is likely between 4-4.5 per cent annually, contrary to the 7 per cent growth rate claimed by the government. These discrepancies arise from unreliable calculation methods used for GDP, which often exaggerate economic performance during specific periods (Patnaik, 2024). For instance, the timing of selecting base years and peak years can distort long-term growth assessments. Additionally, the exclusion of critical economic activities or sectors and underestimation of inflationary pressures can skew GDP calculations.

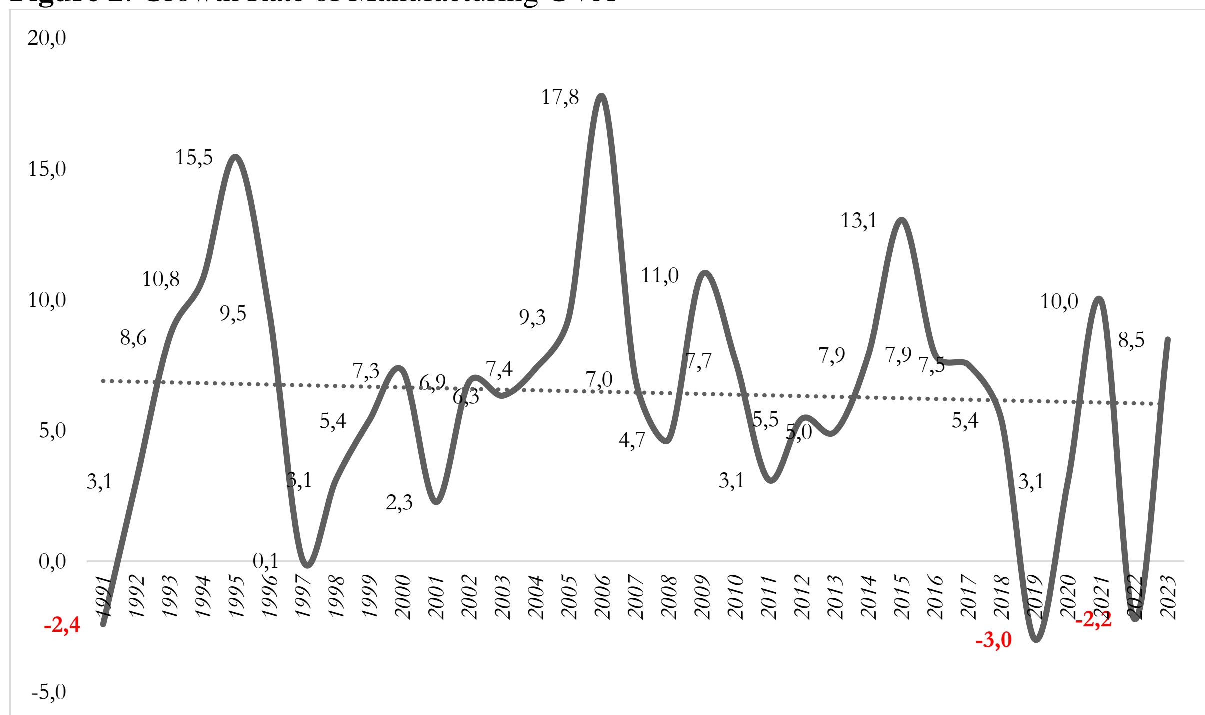
The shift to neo-liberal macroeconomic policy regime has brought about a profound shift in India's growth structure, with commodity-producing sectors such as agriculture and manufacturing facing mounting challenges. Manufacturing, in particular, has struggled to expand its share of GDP beyond the 16-18 per cent target set by initiatives like "Make in India". Despite several claims by the policy makers, this goal remains largely unmet. The manufacturing GVA growth rate (Figure 2) underscores a deeper concern: a persistent slowdown over the past three decades, signalling the sector's inability to sustain momentum. Since 2015, the situation has worsened, with the sector experiencing negative growth for the first time after 1991—declining by -3 per cent in 2019 and again by -2.2 per cent in 2022. These declines are symptomatic of a broader issue of premature deindustrialisation, where economies bypass the traditional manufacturing-led growth phase and transition directly into low-value service sectors.

The implications of this shift are significant. Premature deindustrialisation has undermined manufacturing's potential to drive job creation and technological advancement, both of which are critical for sustained economic development. The sector has been increasingly outpaced by global competition, with countries like China consolidating their dominance in manufacturing,

while India lags behind. The recurring periods of negative growth indicate deeper structural issues that are not merely cyclical but reflect long-standing barriers to industrial expansion.

Meanwhile, the service sector has emerged as the dominant driver of economic growth, taking centre stage as the primary contributor to the national income. This rapid shift to a service-led economy, however, raises concerns about the sustainability of growth. Services, particularly low-value segments, often fail to provide the same level of employment opportunities or productivity gains that manufacturing can deliver. This imbalance threatens to exacerbate income inequality and regional disparities, as high-value service jobs remain concentrated in urban areas while rural regions, traditionally dependent on agriculture and manufacturing, continue to struggle. These challenges highlight the critical need for a reorientation of policy to revitalise the manufacturing sector and create a more balanced, inclusive growth trajectory (Kathuria and Raj, 2024).

Figure 2: Growth Rate of Manufacturing GVA



Source: World Bank Data. Accessed on 10 Oct 2024

As illustrated in Table 1, since the early 1990s, sectors such as finance, insurance, real estate, and business services have recorded an annual average growth rate (AAGR) exceeding 8 per cent. This is followed by trade, hotels, transport, and communication, which achieved an AAGR of more than 7.5 per cent. Community, social, and personal services had an AAGR of over 6 per cent, while agriculture and allied sectors experienced growth close to 3 per cent. In contrast, the manufacturing sector saw an initial improvement during the second decade but subsequently declined in the third decade, with recent years proving particularly challenging for India’s manufacturing industry.

These figures clearly indicate that national income growth during the reform period has been primarily driven by the services sector, which significantly contributed to incremental growth. The share of the tertiary sector in incremental national income growth rose from approximately

49 per cent in 1991 to around 62 per cent by the early 2000s, and further increased to 72 per cent by 2017 (Jha, 2019a). Conversely, the contribution of the primary sector to incremental national income growth has sharply declined, while the industrial sector's contribution has remained largely stagnant (Jha, 2019a).

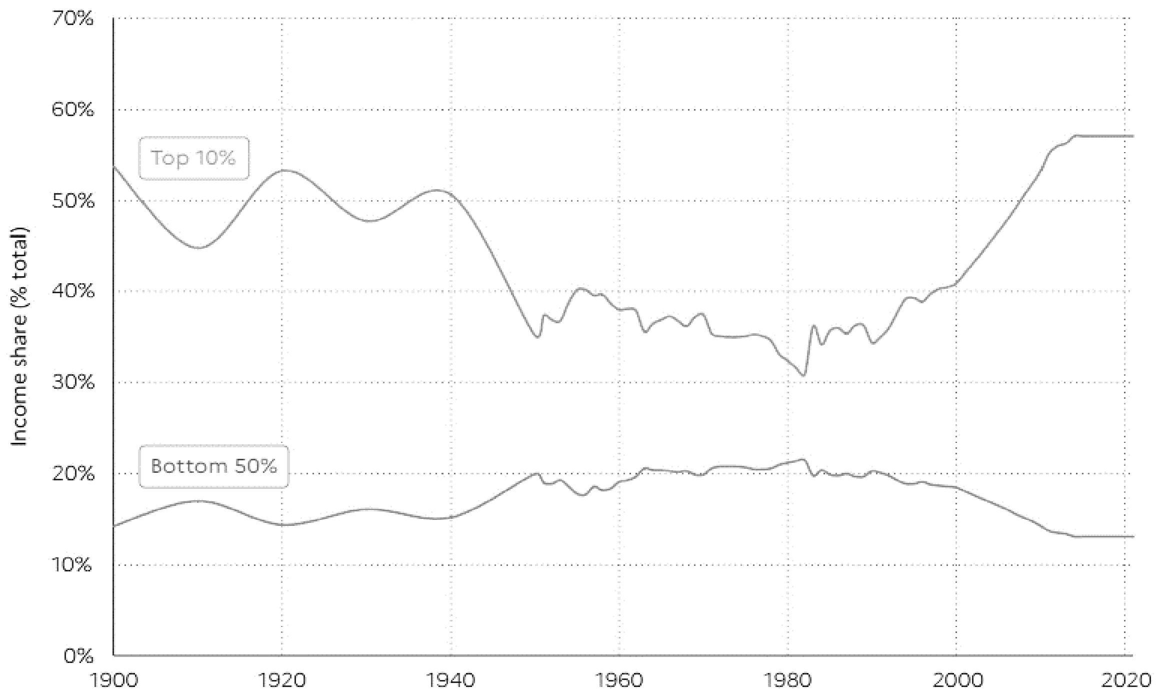
Table 1: Average Annual Growth Rate in Different Decades Across Different Sectors.

Period	Agriculture, Forestry and Fishing, Mining and Quarrying	Manufacturing, Construction, Electricity, Gas and Water Supply	Trade, Hotels, Transport and Communication	Financing, Insurance, Real Estate and Business Services	Community, Social and Personal Services	Gross Value Added
From 1990–1991to 2000–2001	3.1	5.9	7.7	8.0	6.3	5.7
From 2001–2002to 2011–2012	3.6	8.3	9.7	9.8	6.4	7.6
From 2012–2013to 2019–2020	3.6	5.3	6.8	7.6	5.7	5.7

Source: Economic Survey of India 2023-24

Sure enough as reflected in official estimates, India has witnessed a respectable growth in national income over time; however, an equally important question is the matter of its distribution overtime, which has tended to worsen considerably during the neo-liberal era. The World Inequality Report 2022 highlights significant disparities in income distribution within India. By 2021, the top 10 per cent of the population held a staggering 57 per cent of the national income, while the bottom 50 per cent accounted for a mere 13 per cent. This represents a marked increase in inequality compared to the opposite trends of almost four decades following independence. However, since the mid-1980s, gradual economic liberalisation and deregulation have precipitated one of the most pronounced rises in income inequality globally. The wealthiest 1 per cent have disproportionately reaped the benefits of India's economic growth, while the bottom 50 per cent have gained little, highlighting the persistence of multiple deprivations.

Figure 3: Top 10 per cent and bottom 50 per cent income shares in India, 1900-2021



Source: World Inequality Report 2022

Wealth inequality in India is similarly extreme, with the top 10 per cent of the population owning an astounding 64.6 per cent of total household wealth, while the top 1 per cent alone possesses 33 per cent. In stark contrast, the bottom 50 per cent controls merely 5.9 per cent of the nation's wealth. The average wealth for this lower half is alarmingly low, standing at approximately INR 115,000, underscoring the vast and growing economic divide. The middle class is also experiencing limited wealth gains, with the middle 40 per cent accounting for 29.5 per cent of the national wealth. These numbers highlight that the benefits of India's economic reforms have been disproportionately concentrated among the wealthiest segments, leaving substantial portions of the population, especially those in lower income brackets, largely excluded from the opportunities for wealth accumulation (World Inequality Report, 2022).

The extreme concentration of wealth in India not only highlights growing inequality but also has profound implications for broader economic and social well-being. As wealth increasingly concentrates at the top, large portions of the population remain excluded from essential resources and opportunities for upward mobility. This deepening divide is reflected in various socio-economic indicators, including deteriorating per capita consumption patterns and persistent high incidence of poverty measures.

In the recent years, which is almost coterminous with the NDA-II politico-economic regime, one of the most alarming indicators of economic distress for the masses in India has been the sharp drop in per capita real consumption expenditure in rural areas. According to National Sample Survey Organisation (NSSO) data, which was not given the official approval, rural consumption fell by a significant 9 per cent between 2011–2012 and 2017–2018 (Jha et al., 2020; Jha and Kumar 2021). This reduction affected all income groups, as every decile experienced a decline in average consumption expenditure. Concurrently, various poverty metrics worsened dramatically during this period (Subramanian, S. 2019). Additionally, the rate of chronic unemployment surged nearly threefold, reaching its highest point in almost 50

years by 2017–2018; incidentally employment figures from these rounds were accorded an official nod. These developments highlight a marked economic downturn, particularly since the start of the NDA-II regime.

Well-known key policy decisions during this time exacerbated the economic crisis. The demonetisation of 2016 and the poorly executed rollout of the Goods and Services Tax (GST) in 2017 severely disrupted the economy, contributing to declines in various macroeconomic indicators. Many economists agree that these policies triggered a downward spiral starting in late 2016, which not only stunted GDP growth but also worsened critical aspects of economic well-being, including poverty, inequality, and livelihood security. Workers in both rural and urban areas, across various sectors, were particularly hard-hit by these measures. For example, the All India Manufacturers Organisation (AIMO) estimates that demonetisation and GST caused employment losses ranging from 23 per cent to 38 per cent across micro, small, and medium enterprises (MSMEs). Labour force participation, employment, and income levels also deteriorated, as reflected in data from the NSSO and Labour Bureau (Jha and Kumar 2021).

The consequences of these policy missteps were acutely felt in the world of work, where a deepening crisis has unfolded. Large segment of India’s workers, already struggling with economic deprivation, precarity, informality and underemployment, faced an unprecedented shock. The disruptions caused by demonetisation and GST not only eroded job security but also accelerated the shift toward precarious employment. Sectors like manufacturing, construction, and services, which are key employers of the informal workforce, saw sharp declines in job creation and income stability. Moreover, the shrinking availability of decent work opportunities has further widened income disparities and heightened vulnerabilities among the working poor. Many of these outcomes reflect structural challenges that have long plagued India’s workforce, now exacerbated by ill-conceived economic policies and their ripple effects.

Crisis in the World of Work

Workers have been the worst affected by the growing income and wealth inequality in India, a trend that has only deepened under recent economic policies. The neoliberal model of economic development has posed significant challenges for labour absorption, leading to a growing reserve of surplus labour (Jha, 2016; Patnaik, 2016; Patnaik & Patnaik, 2019). Despite relatively high GDP growth rates—second only to China on average for four decades since the early 1980s—employment growth has remained a major challenge. Notably, employment elasticity has not only declined across nearly all sectors over the past 30 years but has also turned negative in several industries (Jha, 2019a; Jha and Kumar 2021). The crucial point to highlight is that India now appears to be transitioning- in several segments of the economy from ‘jobless’ growth to ‘job-loss’ growth. The limited employment expansion observed, particularly since NDA-II, has been concentrated in the services sector, which is dominated by vulnerable forms of casual and self-employment. As a result, high levels of informalisation and the lack of adequate job creation remain defining characteristics of the contemporary world of work.

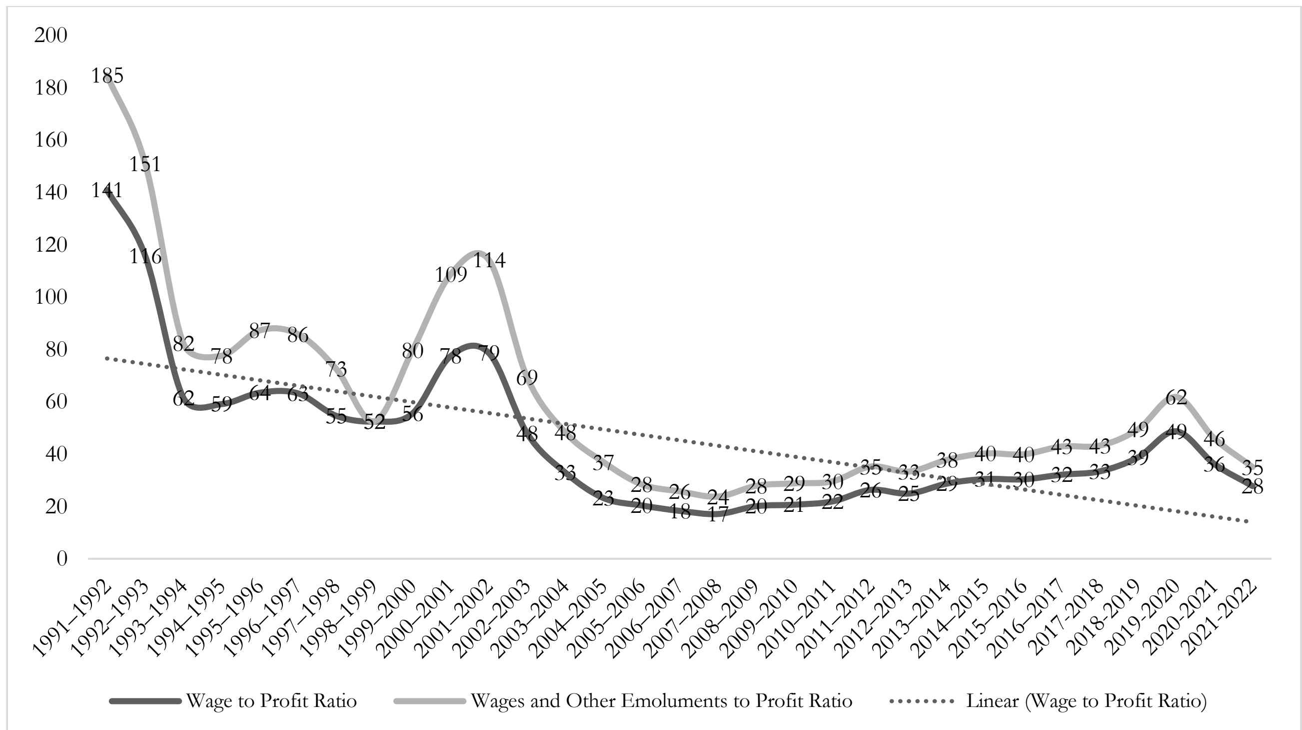
Moreover, India’s manufacturing sector has been significantly impacted by neoliberal macroeconomic policies, leading to stagnation in manufacturing employment and a declining share of the workforce in the sector. Once a significant absorber of labour, the sector now faces

challenges from the rise of informal, precarious jobs and job losses due to automation and other policies. This shift has made manufacturing's failure to generate sufficient employment a key contributor to India's broader jobless growth. Additionally, the vulnerable forms of employment, such as casual labour and self-employment, have come to dominate the workforce, particularly affecting marginalised groups like women, SCs, and STs. Neoliberal policies, further exacerbated by the COVID-19 pandemic, have deteriorated labour conditions, deepened gender and social inequalities, and worsened the structural employment crisis (Jha and Mishra, 2022).

Since the early 1990s, despite changes in political regimes, the employment landscape has been largely disastrous. The differences between various regimes have been more about the degree of impact rather than fundamental changes, as key aspects of the macroeconomic framework affecting labour absorption have remained consistent. One clear consequence of the negative effects on livelihoods and employment has been a significant increase in labour mobility, primarily driven by distress. As highlighted in the relevant literature, workers are relocating not only from rural to urban areas but also within rural regions and back to rural areas from urban centres, all in search of survival and social reproduction.

A notable characteristic of the neoliberal era has been the heightened fluidity among workers and their dependents (Census of India, 2001, 2011; GoI, 2017; NSSO various rounds; Srivastava et al., 2020). This increased mobility across geographical boundaries, often manifesting as circular labour flows, has blurred the distinctions between different categories of workers, such as rural versus urban and farm versus non-farm. As Jan Breman aptly noted, many migrants can be described as "wage hunters and gatherers." Their spatial mobility is marked by occupational diversity and shifting identities; a farm worker today may become a non-agricultural worker tomorrow, and vice versa. This phenomenon primarily reflects the systemic vulnerability faced by significant segments of the workforce in contemporary India. The distress and increasing vulnerability of workers are mirrored by the growing power of capital, which is evident in the declining share of wages. This situation enables capitalists to extract super profits. Even in the most 'protected' segments of the Indian economy, such as organised manufacturing, there has been a persistent squeeze in the share of wages, while the share of profits has risen consistently throughout the neoliberal period (Chandrasekhar & Ghosh, 2002; Jha, 2016).

Figure 4: Ratio of Wage and Other Emoluments to Profit in the Indian Organised Sector.



Source: RBI, Handbook of Statistics on Indian Economy (various years); originally: Annual Survey of Industries

Figure 4 illustrates the distribution of wages and other emoluments for workers relative to profits. Other emoluments encompass worker welfare expenses, provident funds, and similar contributions. In the organised sector of India, the wage-to-profit ratio was 1.41 in 1991–1992; however, this ratio plummeted to 0.28 by 2021–2022. Similarly, the ratio of other emoluments to profits decreased from 0.44 to 0.07 during the same period. Notably, there has been a continuous decline in these ratios, with the exception of a brief period between 1999–2000 and 2001–2002.

It is widely recognised, based on established theories and historical precedents, that a shift in income distribution from wages to profits typically undermines effective demand, thereby perpetuating a vicious cycle of diminishing livelihoods and employment opportunities. When combined with deflationary macroeconomic policies—central to the tenets of neoliberal capitalism—any significant redistribution away from workers tends to adversely affect these macroeconomic outcomes. India's economic performance over the past three decades exemplifies this trend. Furthermore, as previously mentioned, the last ten years have posed unprecedented challenges for the vast majority of the population regarding livelihoods and employment.

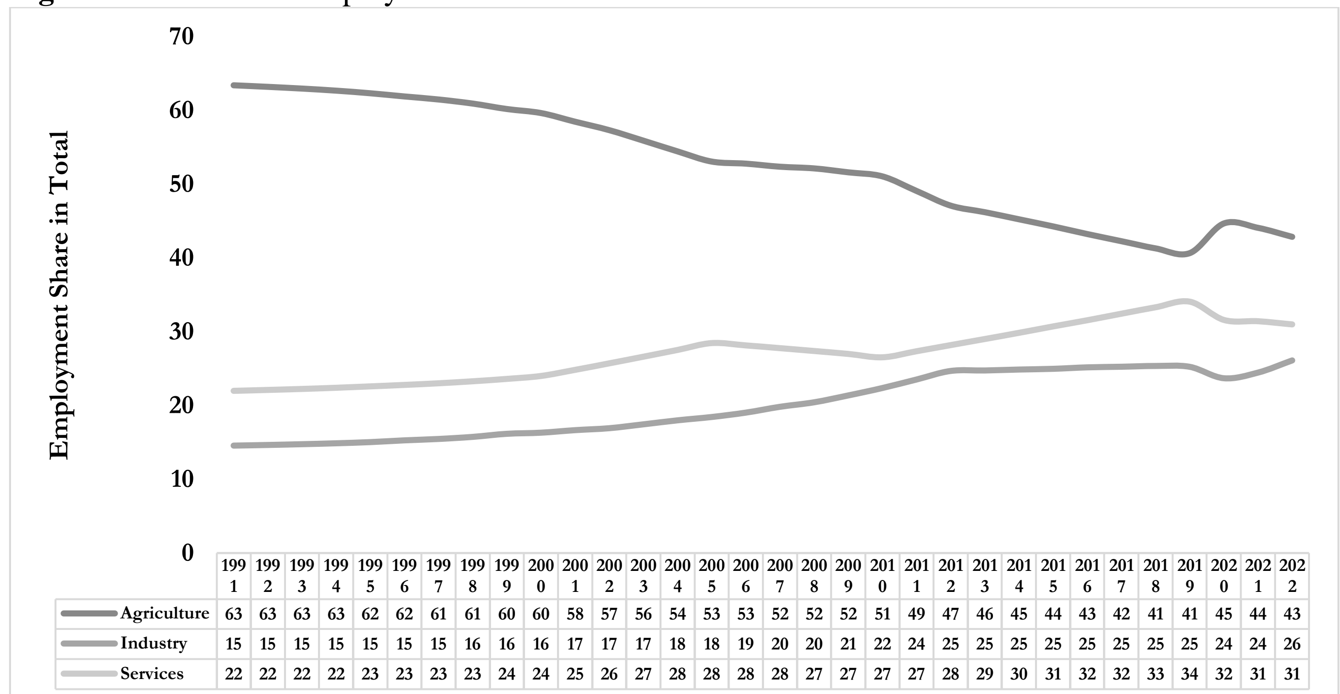
It is crucial to emphasise that the wage-profit ratio discussed earlier pertains to the organised sector, which is the most protected segment according to existing laws. However, the reality for most workers is quite different, as a significant number are employed under precarious conditions as informal or unorganised workers. As noted in our previous work (Jha and Kumar, 2021), the rise in informal employment is evident not only in the increasing number of workers within the informal sector but also in the troubling growth of informal workers within the formal sector. This trend towards informalisation has intensified over time. In 1999–2000, informal workers constituted 38 per cent of the formal sector workforce; this figure rose to 47

per cent in 2004–2005, and further increased to nearly 57 per cent by 2009–2010 and 2011–2012. The formal sector, which has traditionally been expected to offer ‘decent work,’ is rapidly losing this essential characteristic, thereby making workers more vulnerable to economic shocks and further diminishing job security.

Regarding the distribution of workers across sectors, the decline in agriculture’s share of total GDP (as discussed in the previous section) is significantly sharper than the decrease in its share of total employment (Figure 5). This discrepancy indicates that the increased contributions of the industry and service sectors to total GDP have not resulted in a proportionate absorption of labour. A major characteristic of the New Economic Policy (NEP) period in India has been substantial agrarian distress, driven by policies such as reductions in priority sector credit allocation, cuts in subsidies, and declining public investment in the primary sector (Jha, 2019a; Jha & Acharya, 2011; Jha et al., 2020). Additionally, the overall reduction in public investments during the NEP period and other relevant macroeconomic policies have adversely affected employment growth prospects in both rural and urban areas (Chandrasekhar & Ghosh, 2002; Jha, 2016, 2019b; Patnaik & Chandrasekhar, 1995).

Recently, particularly following the COVID-19 pandemic, the share of employment in agriculture has actually seen a marginal increase. The study based on the latest PLFS 2023-24 data highlights that despite claims of job creation, more workers are being pushed back into agriculture, now representing 46.1 per cent of the workforce, a reversal of earlier trends. Manufacturing employment remains stagnant at 11.4 per cent. The rise in self-employment, particularly unpaid family labour, is indeed a matter of serious concern; several structural challenges persist in the economy accelerating the overall job crisis, despite India’s GDP growth (Mehrotra, 2024).

Figure 5: Sector wise Employment share.



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Agriculture	63	63	63	63	62	62	61	61	60	60	58	57	56	54	53	53	52	52	52	51	49	47	46	45	44	43	42	41	41	45	44	43
Industry	15	15	15	15	15	15	15	16	16	16	17	17	17	18	18	19	20	20	21	22	24	25	25	25	25	25	25	25	25	24	24	26
Services	22	22	22	22	23	23	23	23	24	24	25	26	27	28	28	28	28	27	27	27	27	28	29	30	31	32	32	33	34	32	31	31

Source: International Labour Organisation Statistics (ILOSTAT)

As illustrated in Figure 5, there was a gradual decline in the share of agricultural employment alongside a rise in employment in other sectors, particularly in services since the early 1990s. However, the trend between 2019 and 2022 is in the opposite direction. The increase in agriculture's share underscores its ongoing significance as a source of employment, likely resulting from limited alternatives in other sectors and a heightened focus on food security amid economic disruptions. Moreover, the decline in employment within the services sector—a crucial pillar of the economy during the neoliberal period—indicates that this sector has faced substantial setbacks recently, leading to job losses in areas such as tourism, hospitality, and retail.

Over the last three decades, as already noted above, India's economic growth has not been accompanied by proportionate employment growth. Whatever limited employment expansion occurred during this time was largely concentrated in the service sector, which, after agriculture, has the highest share of informal employment. However, much of this growth was short-lived, and India has witnessed periods of economic expansion without corresponding job creation, a phenomenon commonly referred to as "job-less growth." After 2015, the situation worsened as the country entered a phase of "job-loss growth," where economic growth was accompanied by actual declines in employment. This troubling trend deepened further post-2019, with the economy stagnating, leading to a phase of "no growth, no jobs."

In light of the ongoing employment challenges, it is evident that workers are increasingly turning to agriculture as a means of survival, which starkly underscores the precarious state of the world of work. This shift reflects not only the challenges of declining opportunities in more dynamic sectors but also a deepening reliance on agriculture to provide livelihoods amidst widespread unemployment and insecurity. The marginal increase in agricultural employment, despite the sector's long-term decline in relative GDP contribution, signals a desperate search for stability as workers seek refuge in a sector that, while historically under strain, remains their most viable refuge.

The Contours of Agrarian Crisis:

As discussed earlier, agriculture continues to hold the largest share of employment among all sectors in India, and more recently, this share has even increased. This is despite the fact that over the past five decades, agricultural production and yields have risen significantly. However, with few exceptions, the livelihood conditions of those dependent on agriculture have worsened in the neo-liberal era. The recent trend of more workers turning to agriculture for their livelihoods reflects a growing desperation, as they seek income from an already stressed sector. To better understand this situation, it is crucial to analyse the nature of agrarian distress, including the economic, and social factors that are driving this trend.

One of the significant adverse outcomes of economic policies in rural India during the neoliberal era has been the rise in landlessness. While other factors, such as development projects, infrastructure expansion, and urbanisation, have also contributed to the growing pressure on agricultural land, it is evident that a wide range of neoliberal policies have significantly intensified this trend, particularly affecting the bottom half of rural India. Several scholars (Rawal, 2008, 2013; Patnaik, 2012; Verma, 2015; Verma and Roy, 2019; GoI, 2013b) have examined this issue in recent years. Their studies consistently highlight that more than 40 percent of rural households in India lack access to cultivable land beyond their homestead

(Rawal, 2008; GoI, 2009; Verma and Roy, 2019), underscoring the growing marginalisation of landless households in the country.

Table 2 offers critical insights into the issue of rising landlessness in rural India, particularly in the neoliberal era. A key observation is the increasing share of households in the "landless" category (owning less than 0.002 hectares), which grew from 7.4 per cent in 2012-2013 to 8.2 per cent in 2018-2019. Moreover, the expanding proportion of households under the "marginal" category (0.002 to 1 hectare), which rose from 69.6 per cent in 2002-2003 to 76.5 per cent in 2018-2019, is another worrying trend. The data reveal a deepening rural crisis, where neoliberal policies have failed to protect the land rights of the rural poor, pushing more households into landlessness or near-landlessness, with significant consequences for rural livelihoods and social equity.

Table 2: Percentage distribution of households across size categories.

Size Category	2002-2003	2012-2013	2018-2019
Landless (<0.002)	10.0	7.4	8.2
Marginal (0.002 – 1.000)	69.6	75.4	76.5
Small (1.000 – 2.000)	10.8	10.0	9.3
Semi-medium (2.000 – 4.000)	6.0	5.0	4.4
Medium (4.000 – 10.000)	3.0	1.9	1.4
Large (>10.000)	0.5	0.2	0.1
All sizes	100	100	100

Source: Situation Assessment Survey of Agricultural Households, NSS 2018-19

The paradox of rising landlessness alongside increased employment in agriculture, as discussed earlier, reflects deep structural issues in rural India's economy. As the table shows, landlessness has been on the rise, with more households either lacking access to cultivable land or being pushed into the marginal landholding category, which essentially indicates near-landlessness. Despite this, agriculture continues to retain a large portion of the rural workforce. This dependence on agricultural labour is often a result of limited opportunities in non-farm sectors and urban areas, forcing landless and marginal farmers to rely on low-paying, insecure agricultural wage labour. This workforce, dependent on shrinking and fragmented landholdings, highlights the failure of economic policies to create alternative, productive livelihoods in rural areas. Consequently, while landlessness rises, so does employment in agriculture, not as an indicator of growth in the sector, but as a sign of distress—where landless and marginal farmers are trapped in precarious, underpaid agricultural work due to a lack of other viable economic options.

The 2018-19 Situation Assessment Survey of Agricultural Households, conducted by the National Sample Survey Office (NSSO), highlights a notable rise in the proportion of leased-in land within total operational holdings. This share grew from 9.9 per cent in 2002-03 to 13.7 per cent in 2012-13, and further to 17.3 per cent in 2018-19. Although leased-in land is often underreported due to legal and social factors, the true extent is likely higher than these figures suggest. Despite the persistent economic challenges in the agricultural sector, this trend reveals a growing reliance on farming as one of the means of livelihood, in spite of the growing distress in this sector. The data on leased-in land is especially significant considering the high rental value of land. According to the latest available figures (2021-22), rental costs range from 20

per cent of the total cost of paddy cultivation in Assam to 46 per cent in Punjab. Nationally, the rental share stands at around 28 per cent of total cultivation costs. This expense flows directly to landowners, with little to no reinvestment in agriculture, often being viewed as a barrier to agricultural investment and growth.

The situation is further compounded by the rising prices of agricultural inputs such as seeds, fertilisers, pesticides, and fuel. Over the years, these input costs have surged, placing additional financial strain. The increasing cost of cultivation not only reduces farmers' margins but also discourages investment in productivity-enhancing technologies and sustainable practices. This growing cost burden makes it even more challenging for small and marginal farmers to sustain their livelihoods.

In addition to rising input costs, the prices received by farmers for their produce often remain inadequate. In many cases, the returns from crop sales do not cover the full cost of cultivation, leading to financial losses for farmers. Market prices are frequently volatile, and Minimum Support Prices (MSPs), where applicable, do not always reach all farmers or offer sufficient compensation for the rising costs of production. This persistent mismatch between input costs and output prices exacerbates the economic distress in agriculture, trapping many farmers in a cycle of low profitability and debt, further highlighting the urgent need for policy measures that ensure fair and remunerative prices for farmers.

The government often claims that it provides Minimum Support Prices (MSPs) at 150 per cent of the A2+FL cost of production, where A2 represents all paid-out costs and FL refers to the imputed value of family labour. However, this A2+FL formula is a gross underestimation of the actual cost of cultivation, as it excludes a critical component—the rental value of the farmer's own land. As discussed earlier, the data on leased-in land is often underreported, and by ignoring the rental value of land, the A2+FL measure further underestimates the true costs incurred by farmers. This flawed calculation leads to MSPs that do not adequately reflect the full economic burden on farmers, leaving many without sufficient returns to cover real costs, thereby deepening their financial distress.

Table 3 provides Cost of Production (CoP) for mandated Kharif crops in the 2024-25 season, which highlights the significant gap between different cost components—A2+FL, and C2. While the A2+FL includes all paid-out expenses and the imputed value of family labour. However, the C2 cost is considered as the more comprehensive measure, which also incorporates the imputed rental value of owned land and interest on fixed capital. For almost every crop in the table, the C2 cost is substantially higher than A2+FL. For example, the C2 cost for paddy is Rs 2008 per quintal, compared to Rs1533 for A2+FL, and similarly, for Arhar (Tur), C2 is Rs 6504 while A2+FL is Rs 4761. Table 4 also reflects the similar situation for Rabi crops. This substantial difference demonstrates how A2+FL costs fail to account for the actual financial burden on farmers, especially regarding the cost of their own land, which is a key factor in assessing their economic viability. Ignoring the rental value of own land can push farmers deeper into economic distress, particularly when the prices they receive do not cover even the A2+FL costs. Given the wide gap between A2+FL and C2 costs, the table reinforces the argument for revising the MSP formula to reflect C2 costs more accurately and ensure that farmers receive prices that can sustain their livelihoods in the face of rising input costs and volatile market returns.

Table 3: Cost of Production, Kharif 2024-25

Crops	A2+FL (Rs/qtl)	C2 (Rs/qtl)	Gap Between C2 and A2+FL (Rs/qtl)
Paddy	1533	2008	475
Jowar	2247	2958	711
Bajra	1485	1936	451
Maize	1447	1863	416
Ragi	2860	3465	605
Arhar (Tur)	4761	6504	1743
Moong	5788	7304	1516
Urad	4883	6496	1613
Groundnut	4522	5664	1142
Soybean	3261	4291	1030
Sunflower	4853	6594	1741
Sesamum	6178	8152	1974
Nigerseed	5811	7342	1531
Cotton	4747	6230	1483

Source: Commission of Agricultural Cost and Prices, Kharif Price Policy Report, 2024-25

Table 4: Cost of Production, Rabi 2024-25

Crops	A2+FL (Rs/qtl)	C2 (Rs/qtl)	Gap Between C2 and A2+FL
Wheat	1182	1720	538
Barley	1239	1737	498
Gram	3527	4662	1135
Lentil (Masur)	3537	5061	1524
Rapeseed & Mustard	3011	4294	1283
Safflower	3960	5550	1590

Source: Commission of Agricultural Cost and Prices, Rabi Price Policy Report, 2024-25

One might claim that setting the MSP at 150 per cent of the A2+FL guarantees farmers a profit, as this MSP would exceed even the C2 cost. While this seems plausible in theory, the argument falls short when applied to the real world. This reasoning holds true only if farmers consistently receive the MSP. The agricultural support price system cannot be viewed in isolation—both announcing an MSP and ensuring that farmers receive prices at or above the MSP are equally crucial. In practice, however, the reality of MSP accessibility is quite concerning, as reflected in the table below. Despite MSP declarations, many farmers are unable to sell their produce at these prices due to inadequate procurement infrastructure, market inefficiencies, or regional disparities. Thus, while the formula may appear providing scope to earn profit, its practical implementation suggests the contrary.

Table 5: Percentage Distribution of Farmers within Different Size Groups with access to MSP for Paddy, Wheat and Maize, India 2018-19.

Size Group of Farmers	Paddy		Wheat		Maize	
	Less than MSP	More than and	Less than MSP	More than and	Less than MSP	More than and

		Equal MSP		Equal MSP		Equal MSP
0 - 0.5 ha.	87.69	12.31	93.11	6.89	69.4	30.56
0.5 - 1.0 ha.	82.57	17.43	90.96	9.04	73.1	26.94
1.0 - 2.0 ha.	75.27	24.73	89.26	10.74	68.2	31.8
2.0 - 3.0 ha.	69.48	30.52	84.26	15.73	63.1	36.93
3.0 - 4.0 ha.	68.84	31.16	87.01	12.99	68.0	32
4.0 - 5.0 ha.	74.14	25.86	88.08	11.92	65.3	34.69
5.0 - 7.5 ha.	67.08	32.92	88.41	11.59	83.7	16.3
7.5 - 10.0 ha.	72.12	27.88	84.94	15.06	NA	NA
10.0 - 20.0 ha.	58.32	41.68	86.12	13.88	90.33	9.67
More than 20.0	63.48	36.52	94.80	5.20	13.47	86.53
All	**81.16**	**18.85**	**90.21**	**9.79**	**70.3**	**29.65**

Source: Situation Assessment of Agricultural Households, NSS-2018-19.

The table 5 highlights the significant disparities in the effectiveness of MSP across different farm sizes for three key crops: paddy, wheat, and maize. For all crops, it is clear that smaller farmers, particularly those with less than 2 hectares of land, are overwhelmingly forced to sell their produce below the MSP. In the case of paddy, over 80 per cent of smallholders (those with less than 1 hectare) are unable to secure MSP, while even among those with larger holdings (10-20 hectares), a significant percentage (58 per cent) sell below the support price. Wheat farmers fare even worse, with the vast majority of small farmers (up to 93 per cent) receiving prices lower than the MSP. Only a marginal improvement is seen as farm size increases, but the trend remains bleak. This shows that simply announcing an MSP is not enough if the market realities prevent farmers, especially smallholders, from accessing it.

For maize, the situation is somewhat different. While a large portion of small farmers still receive less than MSP, larger farmers (those with over 20 hectares) fare significantly better, with the majority receiving prices equal to or above the MSP. This could be due to better market integration or more favourable conditions for larger-scale maize producers. Overall, the table illustrates the stark inequality in the benefits of MSP, with smaller farmers struggling to benefit from the system due to poor procurement mechanisms, market inefficiencies, and lack of bargaining power. Furthermore, the majority of farmers across all size groups receive prices below the MSP for paddy, wheat, and maize. With such a large proportion of farmers selling their produce for less than the support price, it's highly likely that many would incur losses if the more comprehensive cost, which is C2, were considered.

The public procurement, alongside MSP, is crucial for farmers not only as a safeguard but also because, as recent studies show, a strong public procurement presence at MSP helps improve prices in non-regulated markets (Thakur, 2023). When the government actively procures crops at MSP, it sets a price benchmark that positively influences the broader market, enabling farmers to negotiate better rates even outside the regulated channels. This ripple effect underscores the importance of robust public procurement systems to strengthen farmers' income security across different market environments. Secondly, as reflected in the government's Price Policy Reports over various years, the MSP continues to serve as the *de facto* highest price available to farmers for almost all crops. In most cases, the average market prices fall below the announced MSP, making it the theoretical ceiling rather than the floor

price it is intended to be. This persistent gap between MSP and market prices further highlights the challenges farmers face in securing fair compensation for their produce.

On one hand, farmers are facing significant challenges due to the siphoning off of surplus through backward and forward linkages in the agricultural system, which erodes their earnings and limits the benefits they can retain from agricultural activities (Kumar, 2022);on the other, they are left increasingly vulnerable as government support, in terms of direct intervention and price stabilisation measures, has steadily declined over the past three decades. This dual pressure, from both market inefficiencies and reduced public assistance, has further exacerbated the financial hardships faced by farmers, especially those with smaller holdings.

The deterioration of government support for Indian agriculture over the past few decades has been a growing concern, particularly when it comes to investment and expenditure in rural development and agricultural activities. One of the most striking trends is the significant decline in public investment in agriculture, as reflected in the data. Public investment has seen a downward trend in recent years, from 18 per cent in 2002-2004 to a 14 per cent in 2009-2014, with only a marginal recovery to 16 per cent by 2014-2017 (Jha et. al., 2021). Private investment, on the other hand, has dominated the sector, but this does not necessarily translate into long-term development or income security for farmers. The decline in public investment is troubling, as it is often through state-driven initiatives that infrastructure and support systems like irrigation, extension services, and procurement mechanisms are strengthened. Without these, the agricultural sector becomes vulnerable to market forces, often leaving small and marginal farmers in a precarious position.

Beyond investment, government expenditure on rural development, including key areas like agriculture, irrigation, and small industries, has seen a marked decline since the 1990s. In 1990-91, the share of the rural economy in the total expenditure of Indian states stood at 22 per cent, but this dropped to 15 per cent by the 2000s, with fluctuations in the following decade, hovering between 13 per cent and 17 per cent (*ibid*). This consistent underfunding has had serious implications for rural employment and livelihoods. As the share of public expenditure on the rural economy contracted, the agrarian crisis worsened, impacting millions of farmers and rural workers who rely on agriculture for their subsistence.

The withdrawal of government support is also evident in the broader macroeconomic policies implemented during the liberalisation era of the 1990s. Economic reforms aimed at opening up markets saw a decline in protective regulations, reductions in agricultural subsidies, and a shift from a universal to a targeted public distribution system. These policies, while beneficial for certain sectors of the economy, have negatively impacted the agricultural sector, reducing farmers' access to essential inputs and market support. Though there was some policy redressal under the UPA government with initiatives like MGNREGA and the National Food Security Mission, which temporarily boosted government spending on rural development, the overall trajectory has been one of fiscal compression.

A particularly concerning trend has been the decline in public investment in irrigation, a critical area for sustaining agricultural productivity in India. In the 1980s, irrigation constituted more than 10 per cent of total state expenditure, but this dropped to 7.5 per cent in the 1990s and has continued to fall in the subsequent decades (*ibid*). The shift from public to private sources of irrigation, such as tube-wells, has placed additional financial burdens on farmers, many of

whom lack the capital to invest in such infrastructure. The decreased public spending on irrigation has also led to a stagnation in the expansion of net irrigated area, further exacerbating the challenges posed by erratic monsoons and climate variability. This decline in state support for irrigation is indicative of a broader trend where essential public goods in agriculture are being neglected.

The combined impact of declining public investment, reduced government expenditure, and shifting macroeconomic policies has deepened the agrarian crisis in India. For these farmers, the reduction in government intervention has meant greater exposure to volatile markets and increased input costs, leading to higher indebtedness and, in some cases, farmer suicides. As government support has deteriorated, so too has food security for millions of landless workers and smallholders, highlighting the urgent need for renewed state investment in agriculture and rural development.

Concluding Remarks

Sure enough, as is well-acknowledged, Indian economy has come a long way since independence, with considerable achievements in several areas; on the whole, it has been respectable journey with reference to standard economic indicators that include, *inter alia*, GDP numbers, physical infrastructure expansion, increases in diversity and complexity in economic structure across key segments, greater sophistication and technological innovations in quite a few areas, which are often emphasised, and rightly so. However, as regards a broader notion of socio-economic transformation, or inclusive development, the overall assessment becomes much less respectable, even worrisome. Of course, with respect to particular outcome indicators, an understanding of the architecture of the larger macroeconomic policy regimes, and significant shifts within them, are absolutely critical, as we hinted in the introduction of this chapter. The ascendency of the so-called market driven regime in India, since the early 1990s, has created several areas of concern and we have tried to highlight some of these in this chapter.

From our perspective, important issues relating to the well-being of working people constitute the most important markers of success or failure for any development trajectory; in this chapter, we have engaged with a few of these, namely, rising inequalities, increasing pressure on the different dimensions pertaining to the world of work, across different sectors of the economy, and a veritable crisis in agriculture. All these have been impacted adversely throughout the neo-liberal era, and much more so, during the last decade; we have already hinted at a number of factors contributing to a significant rupture with respect to trends relating to the above noted broad indicators in the recent years. As per several estimates, inequality has zoomed at an accelerated pace during the neo-liberal era, and a handful of corporate powers have come to rule the roost; several scholars, such as Piketty and his colleagues, have christened as the 'Billionaire *Raaj*'. Returns to labour, across sectors, have tended to decelerate/stagnate during the neo-liberal era. If we look at the last decade or so, the annual growth rate of real wages - whether of agricultural or rural workers in general - have virtually been stagnant between 2014-15 and 2022-23. Likewise, as estimated from the NSSO survey data (Das and Dreze, 2024), annual growth rates of real emoluments per hired workers almost crashed from an average of 4.6% between 2010-11 and 2015-16 to 0.5% between 2015-16 and 2022-23. The sector which still continues to be critical for the livelihood of the majority of population (taking workers and dependents together) in India, namely agriculture, has been in the state of prolonged distress

since the early 1990s. The obvious correlates for such an outcome are rooted in the shift to the macroeconomic policy regime since the early 1990s in particular, declining public investment, and reduced government expenditure in general for the sector. A major hallmark of the transition from *dirigisme* era to neo-liberal phase has been a shift from a rights-based model of public provisioning (with all its inadequacies) to a neo-patrimonial architecture of transactions between the state and citizens at large. It seems an extremely unfortunate development that the dominant discourses in the recent years have got trapped evermore in growth fundamentalism.

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