Neoliberal India under Siege

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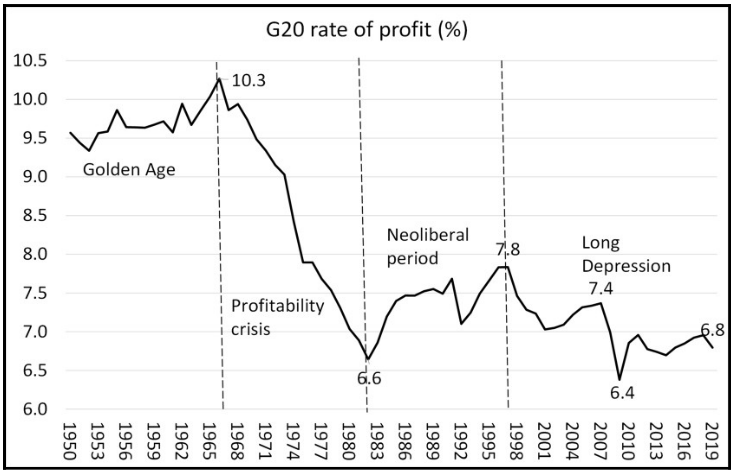
Nowadays, the term 'crisis' has become a common expression in popular discourse when discussing the economy. Though debate over the nature of the crisis persists, there is also some general agreement about its existence.

Crises in the capitalist mode of production arise due to disruptions or ruptures in the processes of production and circulation (exchange) of commodities. They originate from a decline in investment in production and a decline in consumption in circulation. This leads to the coexistence of accumulated unsold goods and unmet or unsatisfied wants. This is a crisis of overproduction, not of scarcity – markedly different from crises caused by natural calamities or war.

But why does the lowering of investment happen? The capitalist system is driven by the thirst for profit. If the rate of profit from production related investment is temporarily high during any period or in any industry, investment will be robust there. However, when the profit rate falls, capitalists tend to hoard their money-capital, thereby deterring investment. This phenomenon is the origin of crisis in the capitalist system.

The rate of production-linked profit depends on the rate of surplus extraction and the proportion of wages to the total invested capital. If the percentage increase in the rate of surplus is less than the percentage decrease in the proportion of wages to total capital – i.e., due to advancements in technology and infrastructure – the rate of profit will fall. The gradual competitive fall in wage share with more and more automation induced enhanced productivity might have provided a temporary transitional rise in the rate of profit for some big-monopoly capitalist firms, they may enhance the rate of accumulation through concentration and centralisation, but the whole capitalist economy has inexorably entered an unprecedented crisis.

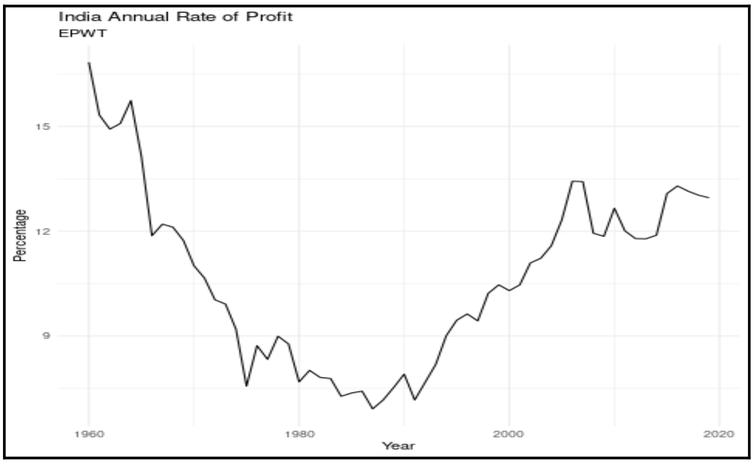
Now, if we examine the historic data on the global rate of profit, a secular tendency becomes evident. There is a consistent trend of fall in the general rate of profit; notable crunches occurred in 1983, 1992, 2000 (Y2K Crisis), 2008 (Subprime Crisis) followed by a long depression with a trough in 2015. Clearly, the crisis follows a cycle of 7-8 years.



Source: https://thenextrecession.wordpress.com/2020/07/25/a-world-rate-of-profit-a-new-approach/

The perplexing Indian scenario: But the story is slightly different for India. Neoliberalism was a game changer for India's corporate houses. Any deeper exploration of the political-economic reasons behind this lies beyond the scope of this article, but we will analyse its impacts on India's economy and society.

The rate of profit of India's capital started rising since 1991 and showed almost consistent growth up to 2008. As the graph shows, the situation in India began to change gradually after the sub-prime crisis hit the global economy, although it was not widely noticed at that time.



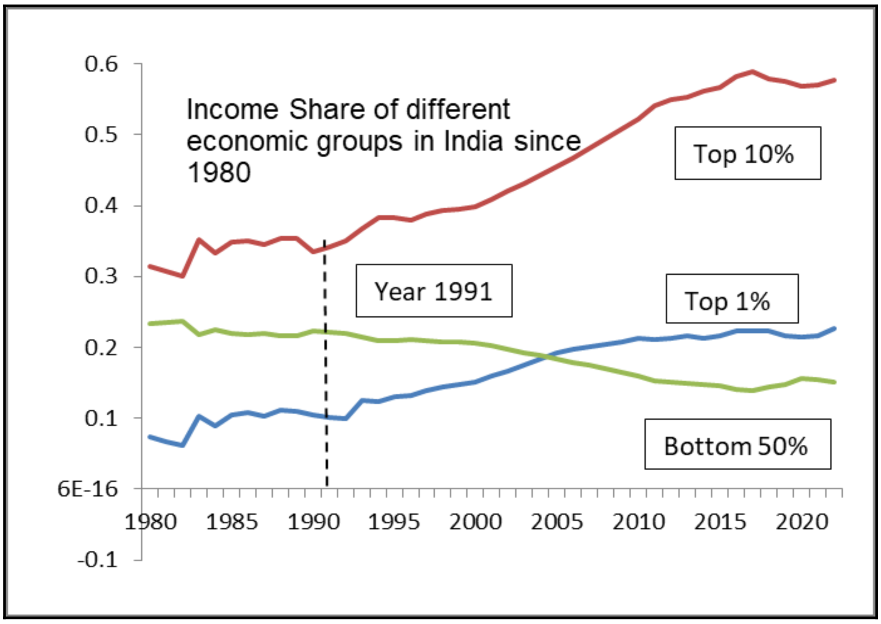
Source: https://dbasu.shinyapps.io/World-Profitability/

And now, the Indian economic scenario itself is appearing peculiarly self-contradictory and confusing. On the one hand, there is a broad consensus about the persistence of a prolonged crisis. Popular media outlets, business community spokespersons, and even government institutions, including the RBI, are repeatedly highlighting that India's private sector investment is not exhibiting its "animal spirit," leading to bleak economic growth prospects. The Economic Survey 2025 indicates a decline in the Business Expectation Index. RBI continues to emphasize that without a boost in domestic consumption, the projected growth rate cannot be achieved.

Conversely, the same Economic Survey reports that the corporate profitability reached a 15-year peak in FY24, driven by robust growth in the financial, energy, and automobile sectors. Among NIFTY 500 companies, the profit-to-GDP ratio surged from 2.1 per cent in FY2003 to 4.8 per cent in FY2024, the highest since FY2008.

This presents a contradictory situation where profits are soaring despite a fall in consumption, and despite rising profits, investment levels remain stagnant.

To understand this issue, we will begin with the sphere of consumption and then move towards the production of commodities and dynamic of capital. Let's start by examining the consumer classes of today's India.



Data Source: World Inequality Database

The State of bottom half: The graph above clearly depicts the impact of neoliberalism in India since 1991. Prior to 1991, the income shares of the bottom 50 per cent was significantly higher than that of the top 1 per cent. After the introduction of neoliberal policies, the income shares of the top 1 Per Cent steadily increased, while the income share of the bottom 50 per cent declined rapidly. Around 2004, the income shares of the top 1 per cent surpassed that of the bottom 50 per cent. Throughout this period, the income shares of the top 10 per cent of the population rose consistently, reaching nearly 60 per cent of the total income.

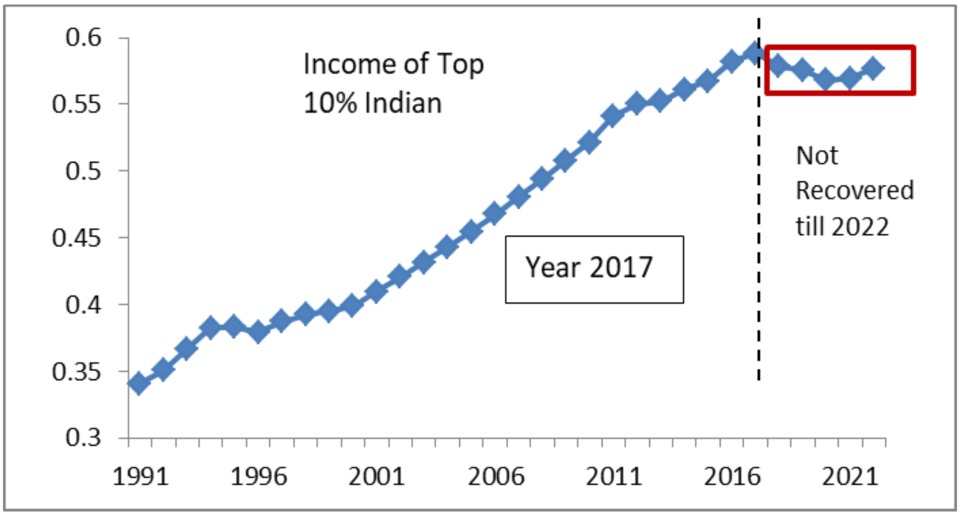
Undoubtedly, the reduction of income shares of the bottom 50 per cent signifies a higher degree of extraction of surplus from both the process of production, as well as the reproduction. It further reveals that neoliberalism has established a mechanism to plunder surplus from all poor labouring sections, be the wage labourers, petty-producers or self-employed, through a complex network of finance and market.

This population, representing the working sections of India, is in a precarious condition, struggling to secure merely subsistence-level income. The average real monthly wage of a male Indian worker was Rs. 12,665 in 2017-18, which declined to Rs. 11,858 in 2023-24. For a female worker, it was Rs. 10,116 in 2017-18 and it dropped to Rs. 8,855 in 2023-24. As a result, the consumption capacity of the working people has steadily declined over the years.

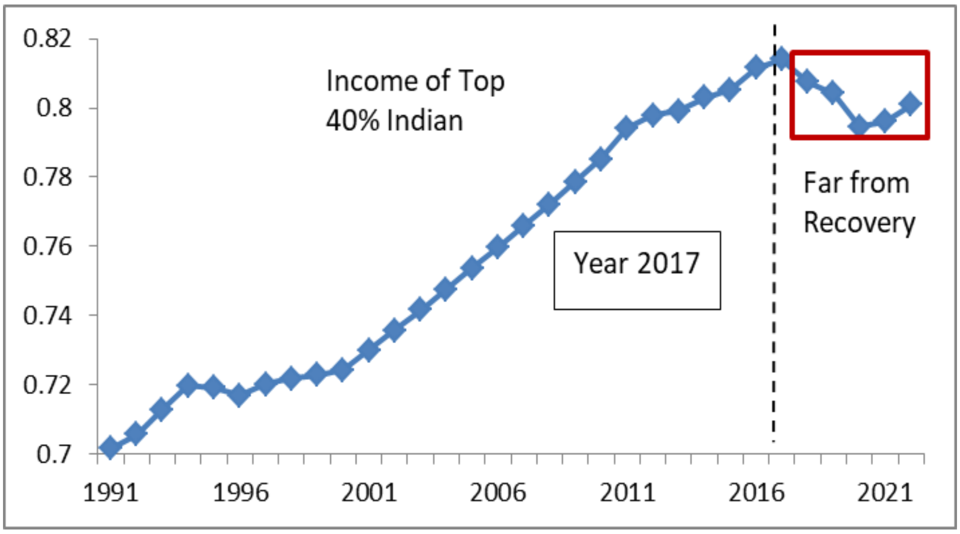
The consumption of the working sections is primarily limited to inelastic goods such as food, clothing, and basic necessities, leaving little scope for a drastic further reduction. However, they continue to be increasingly pushed towards inhumane, below-subsistence-level conditions. Certainly, this section isn't a concern of the bourgeois media and they are systematically invisibilized in popular discourse. Certainly, there is a very limited scope to further enhance the rate of surplus extraction from this segment and, consequently, to raise the rate of profit.

Actually, both the Central and State governments are transferring direct cash through various schemes to provide bare-minimum financial assistance in order to sustain the consumption market and to quell growing dissent among the population. Due to continuous struggles by the working people, governments are being compelled to increase public spending year after year. Obviously, these measures are clearly intended to enable the employer class to extract even higher rates of surplus from them.

Neoliberal consumers of India: The consumers that the bourgeois media concerns itself with are the top 40 per cent of the Indian population, particularly the top 10 per cent. The following charts will demonstrate that the top 10 per cent, and even up to the top 40 per cent, have benefited significantly from neoliberalism, with their incomes increasing steadily during this period. They constitute the middle-income consumer class of India, frequently purchasing high-priced goods produced by large monopoly companies.



Data Source: World Inequality Database



Data Source: World Inequality Database

The average monthly family income of the top 10 per cent of the population is around Rs. 4 lakhs. This indicates that they are high-paid employees, upper-middle-income service providers such as doctors, established advocates, middle-income businessmen, traders and other employer classes. The average monthly family income of those between the top 10 per cent and the top 40 per cent hovers around Rs. 50,000. They are also prolific consumers. The Survey on Household Consumption Expenditure 2023-24 shows that, in urban India, the top 10 per cent of households have a consumption share of 23.67 per cent of the total, whereas the bottom 50 per cent of households consume only 30.55 per cent.

Analysing the basket of goods and services consumed, the neoliberal pattern of commodities can also be understood. Over the years, both rural and urban India have seen a decline in food expenditure, especially on basics like cereals. In rural areas, cereal spending dropped from 22.16 per cent of MPCE in 1999-2000 to 4.89 per cent in 2022-23; in urban areas, it fell from 12.35 per cent to 3.62 per cent. This data seen alongside the fall in calorie intake reveals the distress situation in the bottom half of the Indian population. Meanwhile, spending on beverages and processed foods more than doubled in rural areas, rising from 4.19 per cent to 9.62 per cent, reflecting changing consumption habits.

Conversely, non-food spending has steadily increased. In rural India, spending on consumer services rose from 2.98 per cent to 5.08 per cent, and durable goods from 2.62 per cent to 6.89 per cent over the same period. This indicates a shift towards non-essential consumption and consumption by comparatively affluent sections of the population.

The Crisis Crippling Neoliberal India: However, as the graph shows, the income of the top 10 per cent of consumers began to fall in 2017 and has not recovered as of 2023. The income of the top 40 per cent has significantly dipped and remains far from recovery. Consequently, the consumption of high-priced goods is declining, highlighting a consumption crisis under neoliberalism. Thus, the impact of the crisis has started affecting the middle class and even the comparatively high-paid sections of the working class, reducing their consumption capacity.

This is a crisis situation, where the rate of profit is stagnant or falling, the scope for further increasing exploitation of a large section of the laboring population is almost exhausted, as they have already reached their terminal endurance limit.

The only option remaining for India’s big corporate houses is to raise productivity, reduce the workforce, and thereby lower input costs, while simultaneously maintaining commodity prices to amass higher profit rates. However, the reality is that there was a 2.38 per cent drop in India's productivity growth in 2022-23 compared to 2021-22. India is also lagging in developing AI and related technologies, despite the loud proclamations of Atmanirbhar Bharat! Certainly, despite receiving massive incentives, private corporations are not investing in upgrading machinery and increasing productivity.

If India’s consumer class is not consuming voraciously, and there is no growth in productivity, how are profits soaring? A detailed study of the top 500 listed companies in India reveals a dangerous level of oligarchical monopolization even within the top 500.

Top 500 Listed Co.	Market share of Top 500 (%)	5y average Profit gr (%)
Top 10	**25.46**	**33.68**
Top 50	**54.04**	**19.23**
Rest 450	**45.96**	**9.19**

Source: Own calculation from Company Profile Database

So, for the top 10 companies, the growth in the rate of profit is very high; for the top 50 companies, it is also high and for the remaining 450, it is comparatively low. In terms of employability, the low capital-intensive companies employ more. Thus, a higher share of the profits of Indian corporations is absorbed by a small group of companies.

In fact, there is tremendous ongoing concentration of wealth even within the top 10 per cent of India's rich. The infamous Big Five reigning over India's corporate world are the Reliance group, Tata group, Aditya Birla group, Adani group and Bharti Telecom. These 5 groups hold more than 20 per cent of India's non-financial assets. The ten largest private sector firms account for 56.3 per cent of total private sector net sales, with Reliance and Tata alone contributing over 25 per cent.

To compete with them, the rest of the companies are becoming desperate to curb the benefits of even their comparatively affluent sections of the employees. This is leading to a decline in the consumption capacity of this section of employees. The income tax rebate announced in the Central Budget 2025-26 is nothing but a tool to address the distress of this section.

But with the increased competition and volatile rate of return, the companies are increasingly becoming reluctant to invest in production and thus private sector investment is not coming. Contradictions between the various segments of capital are sharpening. With the increasing geo-political conflicts and surging protectionist moods of the developed countries, the scope of export based growth is also reducing in India. On the other hand, the import components are growing more rapidly than the export and there is almost no scope of sustainable recovery.

Another standard approach to keep the economy rolling is through government expenditure. However, government funding comes either from taxes or by increasing the fiscal deficit. Neoliberal policies typically do not allow governments to pursue either of these options. Nevertheless, the Modi government is exploring all possible ways to expand government support to corporations. Simultaneously, it is transferring national assets to its corporate allies for free.

Despite these boons from the national exchequer and national/natural assets, they have not added anything substantial to the country's economic health. On the contrary, the purchase of financial assets by non-financial companies in the corporate sector amounted to Rs. 9.9 lakh crores in 2022-23. The numbers indicate that corporate income growth is not being channeled towards employment-generating investment but rather towards speculation, which further dampens the domestic demand and the employment scenario.

The last resort to emerge from the crisis, obviously, is the aggravation of attacks on labour and the people in general. As the crisis deepens, the attacks on the collective rights of workers to unionize become more grievous. The government is now desperate to notify the Labour Codes to strip away the remaining hard-earned rights of the workers. The ruling class's conspiratorial attack on labour to shift the burden of the crisis is threefold: first, by informalizing the formal sector; second, by increasing the use of automation and artificial intelligence in manufacturing, rendering the existing workforce redundant; and third, by enhancing dependence on the gig and service sectors in the economy.

Now, the attack has become more holistic. Increasingly, greater sections of high-paid workers are being retrenched. Permanent workers are being conspicuously reduced to an insignificant presence – even below 10 per cent of the total workforce in some industries. These forms of non-regular workers, working for very meagre amounts, having no labour rights or security, and allowed to work only for a stipulated tenure, can be cast off into the uncertain market of unemployment at the whim of their employers. This workforce, armed with the knowledge and skills to operate the most modern technologies and machines, is emerging as the most vulnerably exploited link in current production relations. They may rise as the most promising force to strike back, provided they are organized and brought into the leadership of the mainstream movement.

Conclusion: Neoliberalism in India has unleashed an extraordinary attack on the precariously labouring population, accelerating the rate of surplus extraction to an unprecedented degree. At the same time, it created an upper section of the middle and allied classes who were comparatively benefitted by the advent of neoliberalism. They became the prolific consumers of high-priced goods and services, and the Indian capitalist classes profited with unparalleled fortune.

However, the situation began to change from 2008-09. India's capital market started entering a phase of profitability crisis. Undoubtedly, crisis is inherent to the capitalist system; it has a periodic character. Certainly, the capitalist system continues to descend into deeper crises with time. But unlike earlier phases, the current crisis – unfolding since 2008-09 – has become long and persistent, with no concrete resolution in sight for capital.

This crisis has propelled the competitive centralisation of capital, and Indian business houses are now desperately trying to survive under the dominance of a handful of oligarchs. Their desperation is resulting in intensified attacks on the working class – extending even to middle-income employees, who have been the prime consumers in neoliberal India. A section of these middle-income groups has also provided social and ideological legitimacy to neoliberal mechanisms. Strikingly, they are now hit by the crisis, and all bourgeois pundits are worried about their declining purchasing power. Their jobs are becoming increasingly vulnerable. This phenomenon may introduce a positive shift in their pro-neoliberal class consciousness.

This crisis is the explosion of the neoliberal accumulation model, where economic globalisation and financialisation have engulfed the entire market, demolishing all escape routes. The current neoliberal order has extended its claws over the entire capital-labour and society-nature ecosystem, dreadfully dismantling the provisions for sustainability and reversibility within the system. For the first time in the history of capitalism, a crisis has emerged that grotesquely affects all realms of human civilization – economic, political, societal, cultural, moral, institutional, and ecological.

Thus, the scope of resistance is widening, and the camp of resistance is broadening. It is only the militancy of the working-class movement that can attract the vacillating forces towards resistance. Every struggle that restricts capital's escape routes enhances the possibility of a radical transformation of this social order. At the same time, there arises a need to advance the struggle for alternative policies beyond the ambit of the neoliberal order. The crisis of neoliberal India opens up opportunities to reimagine struggles and alternatives – it opens the path towards a People's India!