Pre-Mature De-Industrialisation - Oppression on Indian Economy

It is agreeable to entire ruling class that the development is closely connected to the flows of foreign Investments. However, the disinvestment of public sector undertakings, the liberalisation of imports, the rise of exports are essential pre-conditions to attract foreign investment. To achieve this, aggressive implementation of Neo-liberal policies can be seen for the past three decades especially with accelerating speed for the last seven years. The development of industrial/ manufacturing sector indicates rise in its share in the Gross Domestic Product as well as employment. As Ours is labour-abundant country, the industries should be established which use labour-intensive technology so as to attain self-reliance. This should be associated with inclusive agricultural development. Our nation must be self-reliant in the production of food grains. External dependence in this regard not at all advisable. Moreover, there should be perfect co-ordination between the development of agriculture as well as industrial sectors. It is necessary to raise domestic savings so as to augment investment. Further, enormous investment opportunities should be created. This will ensure the attainment of development in the framework of inclusive development with people's participation. Contrastingly the policies to attract foreign investments are aggressively implemented with the entry of globalisation process. The ruling dominant class rigorously promoted high expectations in regard to foreign investments, that they bring latest and modern technology, with which productivity will be raised so as to attain sustainable industrial development and this is the only possible way to forward the process of capitalist development in third world countries including India. Consequently, all these countries started competing among themselves to attract foreign investment by offering so many incentives and concessions.

What is the cause for foreign investments to come to backward/ developing countries from advanced countries? The stage of capitalist development in their countries will not ensure expected abnormal profits further. The capital will search for new sources and places for further accumulation. Therefore, these investments will enter into less developed nations to utilise cheap labour and natural resources so as to appropriate more and more profits as well as to establish the dominance and monopoly over the Industrial Sectors of the emerging economies. The foreign investments are the powerful tool of exploitation of monopoly capital/ imperialist forces to articulate the economies of backward nations according to the profitable requirements of imperialist, advanced nations. Therefore, they develop and promote the policies and strategies accordingly. The

comprador bourgeoisie governments will implement them strongly and aggressively to attract foreign investments. This is an agreement of exploitation between imperialist forces and comprador bourgeoisie governments. Consequently, our economy will remain in the stage of 'developing' permanently forever.

In view of the strong implementation of policies to liberalise business, our place in the 'Ease of Doing Business' in the world 'improved' as per the Ease of Doing Business Index of World Bank, from 142 in 2014 to 63 in 2019.

The Prime Minister Narendra Modi in 2014 itself declared the programme of 'Make in India' to attract foreign investments on a large scale. Consequently, it is expected that our country will become "Global Hub on Manufacturing", the share of manufacturing sector in Gross Domestic Product will reach to 25% and it will create as many as 100 million new jobs. However, these assertions never become true.

Implications of Foreign Investments

The foreign investment flows directly entered into secondary markets in our country. They purchase shares or takeover already established industrial units in India. At the same time, our government started to implement the programme of "Disinvestment of Public Sector Undertakings" with accelerated speed, these foreign investments purchased-appropriated shares on a large scale. In this regard, the captivating, cruel dollar magic is another major issue (that has to be discussed separately). Thus, our enormous wealth has been transferred to foreign investment. Further, it resulted in the decline of public sector investments.

The acquisition or merger of already established private industrial unit is another programme of foreign investment flows. In May, 2018 the US Giant retailer Walmart acquired Indian Flipkart which is strongly established in online business and spread into remote areas by purchasing 77% of shares. As per Indian rules, it should not exceed 51% shares by any Foreign Multi Brand retail, that too with prior permission of the government. Further, it has to invest at least 100 million dollars in India. All these conditions will not be applicable in the case of merger with Indian retail. Thus, the US based Giant retailer, Walmart could enter into our retail trade through backdoor successfully. The foreign investments flow did not create, establish any new industrial unit. Moreover, it resulted in the crowding out of public and private investments on a massive scale.

The growth rate of manu-facturing sector is on the decline. It has decreased from 7.93% in 2016-17 to -2.4% in 2019-20. The share of employment of organised manufacturing sector not at all exceeding 14%. It is wonder to notice that it is in a better position in Pre-Globalization period. The share of employment is as low as 12.1% in 2017. This is due to continuous rise in the capital - intensity of this sector. Conversely, labour - intensity is declining. Among 4 largest Industries by output, 3 have been least - employment intensive manufacturing industries. Further, within the same industry, India's firms use more capital and less labour than comparable firms in other countries.

It is proved that there is no relation between the shares of foreign investments and exports. Moreover, the reality shows that the export- intensity of foreign firms is either zero or negative. As their main intention is to appropriate domestic markets, 'the goal of rise in

exports' will naturally be in out of the purview of these units. In fact, stand-alone domestic industries are leading in exports with their primary products such as textiles. For this, we do not need foreign investments.

Incentives and Concessions to Corporate Firms and their Effects

For ease of doing business, the corporate tax is on the decline continuously and India stands as a 'least corporate tax in the world'. Therefore, the percentage share of corporate tax in the tax revenue is decreasing. Conversely, the percentage share of indirect taxes is increasing. Thus, the taxes are will not be the exploitative forces but fall heavily on the oppressed class. This results in the miserable lives of common people. The percentage share of corporate taxes in 2018-19 is 3.5 and it is decreased to a decadal minimum of 2.3% in 2020-21. The loss of revenue due to corporate tax exemptions is to the extent of Rs. 93,642.50 Crs in 2017-18 and it is further increased to Rs.1,08,785 Crs in 2018-19. Further, the loss of revenue due to profit tax exemptions for the industrial units in Special Economic Zones in 2018-19 is Rs. 24,300 Cr. In addition, the transfer of critical and costly land at cheaper rate and permissions to exploit our valuable natural resources has been continuing. Despite all this, corporate insolvency is on the rise. During January 2017 and March 2019 as many as 1858 companies are admitted to the Corporate Insolvency Resolution Process. This is another falsification/ distortion of exploitative forces.

The burgeoning entry of foreign investments since 2000 resulted in the continuous occurrence of slowdown/crisis in 2000, 2008-09 and in 2011-13 while the longevity of present slowdown is more. This is mainly due to external dependence.

The so-called 'efficient foreign, domestic corporates earn profits which are less than their interest payments whose functioning is based on various incentives, concessions and so many kinds of wealth transfers. They fail to repay loans. In fact, they are cordially invited by our government with Red- carpet treatment. The State decided to protect them by (1). allowing loan default. (2). by writing off their loans from the Balance sheets of public sector banks. Consequently, these banks are subjected to huge Non Performing Assets. This trend is accentuated especially after 2016. In this way, the risk is transferred successfully from corporate forces to public sector banks.

Big firms to have been labeled with default status by Credit Rating Agencies are-

1). IL and FS in September 2018
2). Reliance Home Finance
3). Reliance Commercial Finance in April 2019
4). DHFL in June 2019
5).Altico Capital in September 2019.

The banks, which are immersed in losses are either consolidated and merged or privatised. This is the present public sector banks scenario. Thus, the public sector banks are forced to make a long jump from the needs of domestic agricultural and industrial sectors to the needs of Multi National Corporations.

In fact, poorly regulated profit oriented private banks with no social obligations are prone to more scams and failures. In the past, co-operative institutions were started on

the name of imitating the model of socialist economy and utilised them to strengthen feudal forces and later on destroyed these institutions to state that 'socialist models fail'.

Further, so many indirect incentives are created for the benefit and domination of domestic, foreign monopoly capital.

Discourage Domestic Savings and Encourage Domestic Consumption

In order to encourage the demand for luxury goods, the government started discouraging household savings. In the past, there were so many post office savings schemes, National Small Savings Schemes as well as banks saving schemes disappeared now. Moreover, the government also removed the tax exemptions given to loans for house constructions of middle and higher middle income groups.

DWCRA women groups were promoted two and half decades ago. Initially they are production linked groups, usually produce various commodities especially related to food processing with the loan taken from the state at low interest. This process enabled the local people to get the quality commodity at lower rate. Moreover, they are useful for the economic sustenance of the groups to some extent. Gradually, these groups are forced to delink from the manu-facturing activity and converted as Self Help Groups (SHGs). The group members now take loans at lower interest rates only to purchase various consumer durables. This shift is only to ensure the demand for food processing commodities produced by Monopoly Capital. If everyone purchase 'potato chips' manufactured by DWCRA groups, who will purchase costly 'uncle chips' of monopoly capital.

Further, these groups are used to habituate the consumption of processed foods which are popularised as the indicators of modernity. Thus, the creation of either co-operative Institutions or women's groups only to control and direct lakhs of people into the productive framework prepared by the State is really a Historical Fact.

The income tax, paid by Fixed Salaried people, Professionals and Small Entrepreneurs, has been on the rise. In order to discourage savings from this middle class, the government removed, tax exemption given to certain amount of savings. All this clearly indicates that the Domestic Savings should not enter into our agriculture and industrial sectors at any cost. They are to be dismantled. All the domestic savings are forced to enter into share market only. This is the big challenge of Finance Capital to our people.

Nobody understands the logic for Import- liberalisation to achieve exports-led growth. Further lead to the rise in the imports of super luxury goods. Contrarily, dominant country US can raise Import tariff for Steel and Aluminum in 2018 declared by the then US President Donald Trump. Nobody can question it. Is India capable of taking such decisions? If so our nation will be punished by WTO.

What are the opportunities available for the middleclass to keep their savings? Low interest rates for bank deposits. Moreover, uncertainty as to banks consolidation, merger or privatisation. The government extends guarantee only for Rs. 5 lakhs.

The alternative sources available to people, or either chit funds or share markets. Mainstream news always reveal about the closure/ default of formal and informal chit

funds. Who is responsible for these scams? It is the government as it is totally withdrawn from saving schemes.

Share/stock markets are highly volatile. Its intense fluctuations are not at all related to production or profits. Nobody understands the genuine cause for share prices fluctuations. The entry of foreign portfolio investment into stock market further aggravates the situation.

Another one is real estate sector. Fixed land value will be increasing. No production, nothing. It is always in the grip of mafia. The people who purchased land plots always caught in the fear that someone may grab their land. The middle class in India lives in this highly volatile financial uncertainties.

MSMEs, Unorganised Sector Provides Livelihood to Majority

During the pre-globalisation period the state created extensive network to encourage small industries in view of their employment potential and they satisfy local needs with the available local resources. They are crucial for self reliance and attain inclusive growth. At the state level, in the undivided Andhra Pradesh, APIIC, to provide infra-structure, APSSIDC to develop small industries, APSFC for financial needs, APITCO for technical assistance and for intellectual suggestions and recommendations SIET institute were functioning and at the district level District Industries Centres to give suggestions to the small entrepreneurs to formulate their industrial plans. The government created industrial estates for providing accommodation to small industries and Industrial Development Areas to provide plots to small industries clusters. Technocrat Scheme initiated for unemployed engineering graduates. The major distortion in the form of attracting foreign investment resulted in the demise of all these institutions. Government support to small industries to this extent also disappeared totally.

Still MSMEs and unorganised sector play major role in the manufacturing activity. The share of MSMEs in Gross Domestic Product in 2018-19 is to the tune of 30% its share in the Gross Value added is 33.5% and provide livelihood to as many as 518 millions. The financial source for all these units is self, friends or relatives, money lenders. The institutional credit is least. These units are severely affected and ruined due to Demonetisation and GST. Covid-19 pandemic resulted in the further damage and their survival became very critical.

De - Industrialisation

The implementation of neo-liberal policies resulted in the strengthening of pre-mature de-industrialisation. This process entered without industrial development. This resulted in the chaos, uncertainties in lives and survival of majority. The articulation of our economy for the benefit and dominance of powerful corporate forces by our own comprador-bourgeoisie government will never allow us to achieve at least capitalist development. It remains in the oppressed stage.