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The Rise of Developmental Statism in India: Focusing on the Resurgence of State-owned Enterprises in the Modi Government's Infrastructure Development Strategy

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〈Abstract〉

This paper explores how the Narendra Modi administration has used state-owned enterprises (SOEs) to achieve its infrastructure development goals. After implementing global neoliberal policies in 1991, India had reduced the state's role and promoted private sector activities. However, these reforms failed to attract private sector investment, which led to a decline in growth. This decline in economic growth and slow progress in infrastructure became major political issues after the 2008 Global Financial Crisis. India witnessed a significant political shift in 2014 with the election of BJP-led Narendra Modi government, marking the first single-party majority government in three decades. The Modi administration identified infrastructure development as a critical factor in reviving India's growth story. It embraced what I term 'Developmental Statism' by extensively utilizing SOEs as 'developmental means' to implement crucial infrastructure developmental projects. India’s this developmental strategy led to the creation of new SOEs and an expansion of the existing ones. The paper also highlights that the resurgence of SOEs in the Indian economy doesn't oppose the market economy. Instead, it facilitates the market economy by promoting public-private partnerships.

*Keywords: India, Neoliberalism, Developmental Statism, State-own Enterprises, 2008 Global Financial Crisis, Infrastructure Development, Modi Government

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Ⅰ. Introduction

This paper examines India's recent shift towards developmental statism, with a particular focus on the emergence of state-owned enterprises (SOEs).[1] The paper is divided into four parts. Firstly, I introduce the analytical framework of this study, which uses the concept of developmental statism to explain the rise of SOEs in India. The framework is based on the developmental state literature and provides two key insights that are significant in understanding the presence of SOEs in the market economy. Firstly, the state may enhance its role in the market to meet developmental challenges. Secondly, the state may use SOEs to facilitate market capitalism and enhance its role in the economy. By applying the developmental statism framework to explain the resurgence of SOEs in the Indian economy, I challenge the existing ‘state versus market’ perspective on the rise of SOEs in the world economy.

The second part of the paper provides a brief overview of India's political economy since gaining independence. It highlights that India followed a socialist-oriented economic development plan from the 1950s to the 1980s, which led to the dominance of SOEs in the economy. However, in the post-1991 economic reform era, India shifted to a more neoliberal model-oriented economic program promoted by the Washington Consensus. The 2008 Global Financial Crisis (GFC) exposed the failure of the global neoliberal regulatory program and revived the state’s developmental activism in many parts of the Global South. Despite this, Indian policymakers remained committed to the neoliberal mindset. In the aftermath of the GFC, India's strategy for economic growth remained aligned with the neoliberal policy. The government aimed to strengthen the neoliberal regulatory plan to enhance private sector investment activities, but the plan failed. Instead, private sector investment drastically declined.

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1) An earlier version of this paper was presented at a summer academic conference at the Institute of Indian Studies, Hankuk University of Foreign Studies, Seoul, Korea (September 2022).

This paper focuses on the infrastructure sector to highlight how the private sector’s activities shrank in the immediate aftermath of the GFC, worsening the country's infrastructure growth.

The third part of this paper focuses on the rise of developmental statism in India under the Modi administration. Amid the GFC-induced economic slowdown, The Indian political system witnessed a great transition in 2014, when the right-wing party, the Bharatiya Janata Party (BJP), formed a strong, first single-party majority government under Prime Minister Narendra Modi in three decades. When the Modi government came into power, it identified infrastructure development as one of the most critical factors in sustaining the country's relatively high growth in the future. Against that background, the Modi government embarked on what I term ‘*Developmental Statism’* in which it deploys SOEs as ‘developmental means’ to implement critical developmental projects. This paper provides ample evidence to support the claim that the Modi government heavily relied on SOEs to execute key development projects. In doing so, the government created several new SOEs in various infrastructure-related sectors. In addition, the government also roped the existing SOEs as developmental means to implement its signature projects. SOEs also became crucial developmental policy tools to execute green growth development projects.

This study provides empirical evidence that the resurgence of SOEs in the Indian economy does not hinder the market economy but rather supports it by promoting public-private partnerships (PPPs). During the developmental statism era, India's SOEs also played a crucial role in promoting PPPs to achieve national development objectives. By conducting an in-depth case study on the role of SOEs in building the Electric Vehicle (EV) charging infrastructure, this study highlights how SOEs have emerged as developmental agents, market makers, and promoters of PPPs, particularly when the private sector is less inclined to participate in market activities.

The final part of this paper discusses how the study's findings contribute to existing literature in multiple ways. Firstly, it suggests that the increased presence of SOEs in the global economy could be due to developmental statism. This involves the state using SOEs to achieve domestic developmental goals. This study therefore contributes to the literature on the developmental state, which argues that the resurgence of SOEs is a result of the state's efforts to use state entities as policy tools to achieve its developmental agenda. Secondly, this study shows that the resurgence of SOEs in the Indian economy is not intended to oppose the market economy. Instead, the government has used SOEs to promote PPPs in sectors that have witnessed slow progress due to the lack of state strategic intervention. Therefore, this study contradicts arguments that view the resurgence of state capitalism as a ‘state versus market’ stance. Finally, this study also highlights significant differences between the BJP-led statism in the neoliberal era and the former statism in the Congress era.

Ⅱ. Analytical Framework

The role of SOEs in the global economy has seen a rise since the 2000s, as emerging economies have started using them to achieve their specific goals. This phenomenon is known as new state capitalism (Alami & Dixon 2020). Many academic works have tried to explain this new state capitalism by framing it as a ‘state versus market’ debate. For instance, Bremmer (2010) and Kurlantzick (2016) view the rise of SOEs in emerging economies, particularly in China, as a direct threat to the market economy. They argue that the state has marginalized the market economy to achieve its domestic and international political and strategic aims. However, in India, the rise of SOEs cannot be wholly explained through this ‘state versus market’ perspective. India’s new state capitalism is driven by developmental logic, where SOEs are deployed by the state to achieve its domestic developmental goals. Furthermore, India’s new state capitalism does not oppose the market; instead, it promotes market capitalism by encouraging PPPs.

Hence, to properly theorize the resurgence of SOEs in the Indian economy, this study has created an analytical framework called developmental statism. This framework is based on classic and contemporary literature on the developmental state and developmentaism. One key debate in the literature on political economy of development is how to define the state-market relationship. The classic literature on the developmental state and the new emerging literature on developmentaism have incorporated these debates significantly. This makes them relevant to employ as an analytical framework for this study. Let me explain in more detail why the above literature is relevant.

The literature on developmental state provides two key insights that are significant in understanding the presence of SOEs in the market economy. Firstly, all classical and contemporary literature on the developmental state agrees with the notion that the state enhances its role in the market to meet developmental challenges. In the process, these literatures suggest that the government may enhance the role of SOEs to achieve developmental goals. For instance, both Amsden (1989) and Wade (1990, 179) demonstrated that the developmental states in East Asia selected state entities as policy tools and deployed them in strategic sectors where private sectors were less interested in investing. Recent studies that apply the developmental state model to explain the rise of SOEs in emerging economies in the Global South emphasize the developmental logic for state interventionism in their analysis. For example, Nem Singh and Ovadia (2018) argued that SOEs are complex organizations that bear new developmental capacities for the Global South. Kim’s (2023) work argues that the resurgence of SOEs in Indonesia after the 2008 global financial crisis is a direct result of the state’s deployment of SOEs to bridge the developmental gap caused by previous passive states and economic liberalization policies.

Secondly, the developmental state literature suggests that the state may use SOEs to facilitate market capitalism and enhance its role in the economy. Therefore, state intervention through SOEs should not be seen as against market capitalism, but rather as an instrument to promote it. The developmental state literature provides a different perspective on the role of SOEs compared to those who view the rise of state capitalism as a threat to market capitalism. According to Wade (2014), it is not about "Market versus State," but "Market with State" that defines the state's rising role in the market economy. Recent works, such as Kim's (2023) empirical studies on the rise of SOEs in Indonesia under the Jokowi government, provide a clear example of how SOEs can facilitate market capitalism.

This study will apply these two theoretical insights to explain why SOEs have risen in the Indian economy under the Modi government in India.

III. Evolution of India's Political Economy

This section offers a brief overview of the evolution of India's political economy since gaining independence. From the 1950s to the 1980s, India followed a socialist-oriented economic development plan, which led to the dominance of SOEs in the Indian economy. India's first Prime Minister, Jawaharlal Nehru, was a socialist leader who believed that the state should control and own the material resources of the community to distribute them in the best way to serve the common good (Desai & Bhagwati 1975). As a result, Nehru created a significant number of SOEs and treated them as a developmental agent, prioritizing them over private players. Nehru's daughter, Indira Gandhi, who ruled India from the late 1960s to the early 1980s, further strengthened the role of SOEs at the expense of diminishing the private sector in the country. She was a populist and socialist leader who opposed the western-originated market economy and aligned closely with socialist-leaning economic policy. However, India had to pay a high price for this socialist-oriented policy as it failed to industrialize like East Asian countries that promoted state-business partnerships (Kholi 1989).

India launched economic liberalization in the early 1990s after the end of the Cold War and the collapse of the Soviet Union. During this period, India attempted to shift from a socialist-oriented economic development plan to a more neoliberal model-oriented economic program (Panagariya 2008). India, like other Global South countries, implemented ‘policy prescriptions’ forwarded by the proponents of the Washington Consensus that emphasized downsizing state-led activities, reducing the role of SOEs in the economy, and enhancing private sector-led developmental activities (Gilpin 2001; Wiarda 2004). In the post-1991 era, the Indian state acted as a *neoliberal regulatory state*[2], which focused on promoting rules and regulations to boost private sector investment and limit the state's involvement in the economy.

Indeed, implementing the neo-liberal reform agenda became the primary policy goal for the major political alliances that governed India after 1991. For instance, the Congress party began economic reform in 1991, based on neo-liberal structural adjustment programs. Subsequently, the BJP-led first National Democratic Alliance (NDA) government (1998~2004) actively accelerated the implementation of neo-liberal agendas by pursuing a pro-active privatization policy. Later, when the Congress-led United Progressive Alliance (UPA) came into power in 2004, it continued with the neo-liberal regulatory reform agenda despite over a decade of economic reform that failed to address key economic challenges, particularly the infrastructure deficit. The architect of economic reforms in India, the then-UPA Prime Minister Manmohan Singh, acknowledged at an infrastructure-related conference in 2006 that the infrastructure deficit is a concern for India. He stated that “our growth potential will be realized only if we can ensure that our infrastructure does not become a severe handicap” (*The Times of India,* 02 April 2006). However, he also emphasized that the solution to infrastructure problems would come from

2) For the conceptualization of the neoliberal regulatory state, see (Jones & Hameiri 2022; Kumar 2023).

the private sector-led investment environment, with the state playing only the role of a “regulator.”

The 2008 GFC highlighted the failure of the global neo-liberalism program promoted by structural adjustment and the Washington consensus, and led to the revival of the state's developmental activism (Bremmer 2010; Kumar 2021). However, this new trend did not change the mindset of Indian policymakers. While many Global South states, such as China, Brazil, and Indonesia, enhanced their role in promoting economic growth and began supporting their developmental agendas, especially by strengthening the role of SOEs (Kim 2023; Kurlantzick 2016; Nem Singh & Ovadia 2018; Schmalz & Ebenau 2012), India remained committed to the neo-liberal idea.

To illustrate, in the post-global crisis era the government announced its mega-investment plan to mobilize around $1 trillion in the infrastructure sector in its 12th Five Year Plan (2012-2017) to achieve a 9% growth rate, emphasizing private sector-led investment. As the Planning Commission, India’s Five Year Plans formulating agency at that time, said, “private investment should begin to outpace public investments in infrastructure towards the end of the 12th Plan period” (Chandran 2010). The government also announced various regulatory initiatives to encourage private investments in infrastructure, including but not limited to: allowing 100 percent FDI in infrastructure projects, initiating 100 percent tax deduction for certain periods under the ‘Tax Holidays’ initiative in infrastructure projects, and relaxing the investment and borrowing caps (IBEF 2013). Overall, as one study highlighted, India’s response to the GFC was guided by neoliberalism, with the state or state entities playing a limited role in promoting economic growth through infrastructure investment, unlike China and Brazil (Schmalz & Ebenau 2012).

Consequently, India continued to face infrastructure deficits in the aftermath of the GFC. When compared to other emerging economies in Asia, India’s infrastructure situation appears even more challenging. According to the World Bank's Logistics Performance Index, India’s ranking dropped from 39th in 2007 to 54th in 2014, while other major countries were able to improve their ranking. Consequently, India's aspirations for a high economic growth rate after the crisis were met with disappointment as the country entered a period of economic slowdown. Furthermore, India's poor economic condition during the post-crisis period undermined foreign investors' confidence. In 2013, the Taper Tantrum phenomenon occurred when foreign institutional investors began to withdraw foreign capital from vulnerable emerging economies, including India.

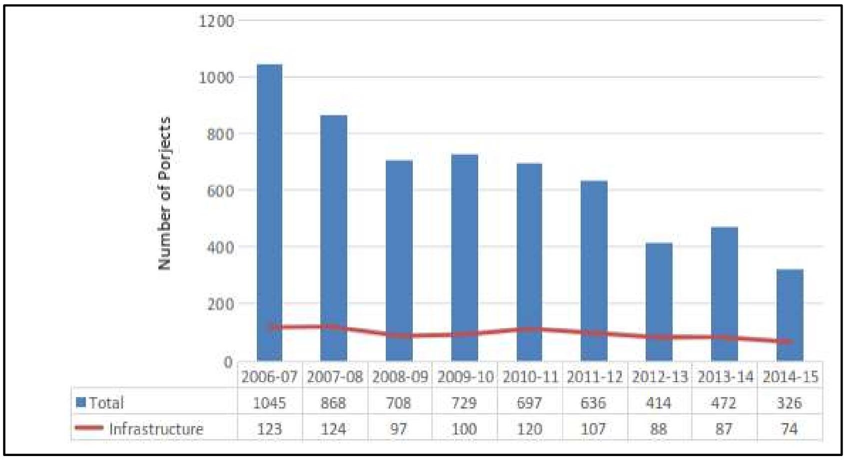
〈Table 1〉 Asia's Emerging Economies' Global Rankings on World Bank LPI

Country/Year	2007	2010	2012	2014
India	39	47	46	54
China	30	27	26	28
Indonesia	43	75	59	53
Vietnam	53	53	53	48

Source: Author's elaboration based on World Bank Logistics Performance Index (LPI)

There are many reasons why India has been unable to address its infrastructure deficit following the GFC. However, one crucial factor appears to be the limited progress of private sector-led investment in the infrastructure sector. As economic uncertainty increased in the post-crisis era, private players were less willing to take risks. This claim is supported by Figure 1 and Figure 2. Figure 1, based on data from the Reserve Bank of India (RBI), shows that the total number of private projects sharply declined in the post-2008 financial crisis era, from 1,045 projects in 2006-07 to 326 projects in 2014-15. Specifically, in the infrastructure sector, the number of private projects decreased from 123 in 2006-07 to 74 in 2014-15. Additionally, according to the same RBI data, FDI inflows declined in the post-crisis era, with total FDI inflow in India falling to $36 billion in 2013-14 from $46 billion in the previous year.

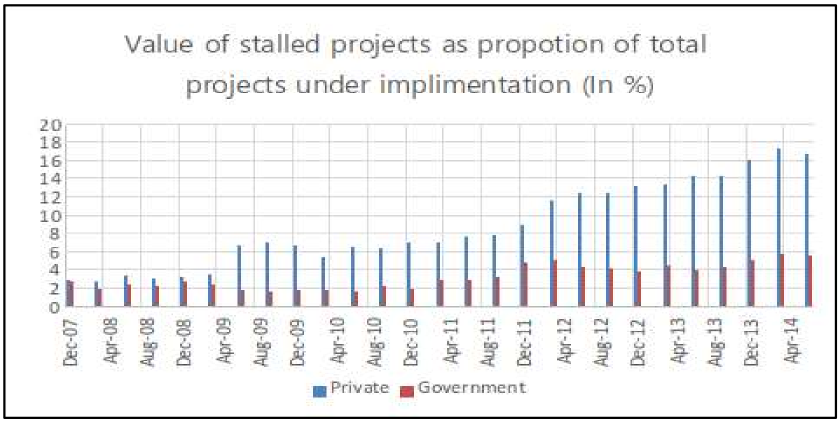
[Figure 1] Decline in Number of Private Projects after the Global Financial Crisis



Source: Author’s analysis based on data from (RBI 2015).

It is also important to note that in the post-GFC era, India not only experienced a decline in new private projects, but also limited progress in the existing private projects. Figure 2, which is based on data from the Centre for Monitoring Indian Economy (CMIE), reveals that while government project stalling rates remained much lower, private projects in various sectors saw unprecedented slowdowns during the post-crisis era. More specifically, in the immediate aftermath of the GFC period, the private sector stalling rate hit a record high - rising from less than 3% in February 2008 to more than 11% in June 2014. data, shows that while stalling rates of the government projects remained much lower, the overall private projects under implementation in various sectors continued to slow at unprecedented rates in the post-crisis era. More specifically, in the immediate aftermath of the GFC period, the private sector staling rate hit recode high from less than 3% in Feb 2008 to more than 11% in June 2014.

[Figure 2] Private Projects Stalled at Unprecedented Rates after the Global Financial Crisis



Source: Author's analysis based on data from CMIE Capes and Livemint.

IV. The Rise of Developmental Statism under the Modi Administration

In the previous section, we discussed the evolution of the Indian political economy and the government's response to the GFC. Moving forward, in this section, we will shed light on the background and motivation behind the emergence of developmental statism in India. Furthermore, we will present empirical examples of the rise of SOEs for developmental purposes.

1. Drivers of Developmental Statism's Emergence

During the late period of the UPA government (2012-2014), the slow progress of infrastructure became a significant political issue in India. As the major opposition party at that time, the BJP criticized the government for not playing a leading role in reviewing the economy growth, which had dropped below 4% for the first time in a decade. Just before the

2014 general election a large number of central sector projects were delayed due to the lack of action by the central government led by the UPA alliance. This situation was often referred to as ‘policy paralysis’ by the BJP's prime ministerial candidate, Narendra Modi. For the 2014 general election campaign, Mr. Modi promoted himself as the “Development Man” who would revive the Indian economy by building new infrastructure.

In the 2014 general election, The Indian political system witnessed a great transition. India’s right-wing party, the BJP, formed a strong, first single-party majority government under Prime Minister Narendra Modi in three decades. The UPA lost that election badly. One of the reasons behind the Modi’s victory was people voted for its developmental plan. Hence, when Modi came into power, his government embarked on a new economic plan, stressing ‘Development First.’ One of the major part of his development first plan was building infrastructure to revive India’s economic growth story. This development first plan was different from the socialist-leaning economy strategy of the previous UPA-led coalition government, which was more concerned about economic distribution than growth. The UPA-led coalition government’s socialist-leaning economic distribution strategy was partly the result of the structure of the coalition government, which was heavily dependent on India’s left and socialist parties’ electoral supports (Kumar 2022).

The Modi government, which enjoyed full majority and was not dependent on any socialist-leaning party, promoted a ‘growth first’ strategy by investing in infrastructure development in the country. The Modi government’s various policy reports highlighted infrastructure development as a crucial factor in maintaining the country's high growth in the future (MoF 2020; NITI Aayog 2018). To achieve this goal, the government adopted developmental statism and introduced several state-supported national infrastructure development plans. To implement these plans, the government utilized both existing SOEs and created new SOEs.

2. Empirical Illustrations: The Rise of SOEs as 'Developmental Means'

The most significant illustration of the emergence of developmental statism in India under the Modi Administration is the deployment of SOEs as 'Developmental Means' to implement critical developmental projects. Table 2 provides key empirical evidence to support this claim.

〈Table 2〉 State's Deployment of SOEs as 'Developmental Means' to Implement Key Developmental Projects

Project Name	Established Date	Developmental Target	Deployment of SOEs as 'Developmental Means'
Bharatmala	2015	Implementing mega roads and highways project	Creation of new SOE, NHIDCL in 2014
Sagermala	2015	Building Seaports and transforming India's logistics competitiveness	Creation of new SOEs, IPRC in 2015 and SDCL in 2016
National Solar Mission	2015	Establishing India as a global leader in solar energy,	Creation of new SOE, SECI in 2015; Utilizing of existing SOE, NTPC
Gas Pipeline Project	2016	Building the country's longest LPG	Utilizing of existing SOE, IOC
Make in India	2014	Transform India into a global design and manufacturing hub	Utilizing existing SOEs, RINL, SAIL, IDPL
National Hydrogen Mission	2021	Meeting India's climate targets and making it a green hydrogen hub	Utilizing existing SOEs, IOC, NTPC, GAIL
FAME India Phase-2	2019	Giving a boost to the development of EV Infrastructure	Creation of new SOE, CESL; Utilizing of existing SOEs, HPCL, IOC, BPCL

Source: Author's research based on various press releases by the Government of India

Note: State-own Enterprises (SOEs); National Highways and Infrastructure Development Corporation Limited (NHIDCL); Indian Port Rail Corporation (IPRC); Sagarmala Development Company Limited (SDCL); Solar Energy Corporation of India Limited (SECI); National Thermal Power Corporation (NTPC); Liquefied Petroleum Gas (LPG); Rashtriya Ispat Nigam Limited (RINL); Steel Authority of India Limited (SAIL); Indian Drugs and Pharmaceuticals Limited (IDPL); Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles India (FAME India); Convergence Energy Services Limited (CESL); Electric Vehicles (EV); Hindustan Petroleum Corporation Ltd (HPCL); Indian Oil Corporation (IOC); Bharat Petroleum Corporation Ltd (BPCL).

Let me elaborate more on the rise of developmental statism in India through the lens of the emergence of the role of SOEs. After resuming power, the Modi government established new SOEs to aid infrastructure development projects. One such SOE is the National Highways and Infrastructure Development Corporation Limited (NHIDCL), established in 2014 to carry out the Baharatmala development project. Since its establishment, NHIDCL has played a significant role in implementing road and bridge-related projects across India (NHIDCL 2021). Another SOE that was established in 2015 is the Indian Port Rail Corporation (IPRC) to implement the ambitious Sagarmala development project aimed at enhancing India’s port-led growth. Under the Modi administration, the IPRC has already undertaken 32 port-related projects (IPRC 2019). Similarly, the Sagarmala Development Company Limited (SDCL) was established in 2016 to provide state-guided support to the Sagarmala projects. In addition, the government created the Solar Energy Corporation of India Limited (SECI) in 2015 to implement the National Solar Mission, an ambitious project aimed at enhancing India's solar energy capacity (SECI 2022).

Apart from creating new state entities, the government also roped the existing SOEs as developmental means to implement crucial energy-related strategic initiatives. For example, the Indian Oil Corporation is building India’s longest LPG pipeline as part of the Modi government’s plan. Also, the National Thermal Power Corporation is a key partner in achieving 450 GW renewable energy capacity by 2030 and aims to have 60 GW capacity through renewable energy by 2032.

SOEs also extensively participated in the Modi government pet project, the “Make in India” initiative. To illustrate, two public steel manufacturing companies, Rashtriya Ispat Nigam Limited (RINL) and Steel Authority of India Limited (SAIL), actively participated in the initiative, leading to a boost in India’s steel production from 81 million tons in 2013 to over 100 million tons in 2017 (MoS 2018). The SOE has played a pivotal role in boosting the growth of other manufacturing sectors. The Ministry of Commerce & Industry’s report on the “Progress under ‘Make In India’ scheme" highlights the significant contribution of the Indian Drugs and Pharmaceuticals Limited (IDPL), an SOE, in the expansion of the pharmaceutical industry (MoCI 2017).

Above all, SOEs have emerged as crucial tools in executing India's green growth projects and developmental policies. In fact, SOEs have become major players in implementing the National Hydrogen Mission launched by Modi's government in 2021. For instance, Indian Oil Corporation Ltd. (IOC), an SOE, announced its plan to construct India's first green hydrogen plant at its Northern India refinery in July 2021, in line with the Modi government's vision. In December 2021, NTPC also announced the building of one of the world's largest green hydrogen microgrid projects in Southern India, designed in-house by NTPC and in line with Prime Minister Modi's goal of carbon neutrality by 2070. Similarly, Oil India Ltd, the second-largest state-owned hydrocarbon explorer and producer, announced in December 2021 its plan to build a green hydrogen manufacturing plant in Northeast India. Additionally, the State-owned Gas Authority of India Limited (GAIL) declared on May 12, 2022, its plan to set up one of India's largest Proton Exchange Membrane (PEM) based green hydrogen projects in central India to produce green hydrogen by the end of 2023, in line with the National Hydrogen Mission.

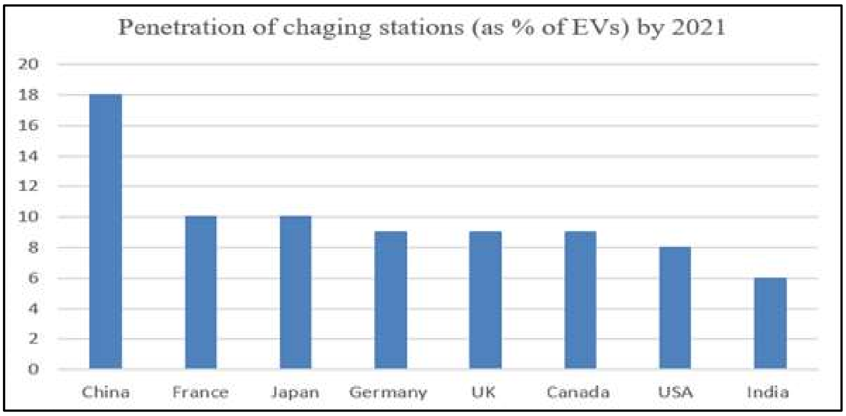
SOEs promoted private sector participation through PPPs to achieve green hydrogen mission goals. For example, between 2021 and 2022, the NTPC's announcements have revealed that the company has been in negotiation with Indian private sector companies and global companies for collaboration in setting up a pilot project for hydrogen production. The NTPC has also induced other private players to enter this risky business. It is evident when Amara Raja, a private company, entered this hydrogen energy business only after the state-run NTPC asked Amara Raja to set up India's first green hydrogen fueling station in the Indian Himalayan region (*The Hindu*, 13 June 2022). Equally significant, the state-run IOC established a joint-venture company with two leading private sector energy producers, ReNew Power and Larsen & Toubro Ltd., to promote the government mission of becoming a global giant in green hydrogen production through the PPP. To sum, the Modi's developmental statism has increased the role of SOEs in executing crucial projects to revive India's growth story. These SOEs are not against the market and have emerged as critical agents in fostering PPPs.

V. Case Study: The Role of SOEs in Building Electric Vehicle Charging Infrastructure

In this case study, we will examine how SOEs have become agents of development, market makers, and promoters of PPPs in situations where the private sector has been less keen to participate in market activities. Following the GFC, the EV industry emerged as a strategic sector that could drive economic growth in the future, leading both developed and developing economies to invest heavily in this area. In 2013, the Indian government also launched the National Electric Mobility Mission Plan (NEMMP) 2020 to promote EVs in the country and achieve national fuel security. After coming into power in 2014, the Modi government strengthened the NEMMP by initiating Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles (FAME India 1) under the plan. However, the government focused primarily on creating the EV market through demand incentives, such as direct purchase subsidies to buyers, and did not invest much in building EV charging infrastructure through SOEs as it believed that private players would take up the task. The NEMMP document highlights the role of the private sector in developing EV charging infrastructure.

However, the private sector did not build EV charging stations because it was not profitable. For instance, during the FAME India Phase 1 from 2015 to 2019, Reliance Industries had announced a partnership with oil and gas giant BP to enter the EV charging station business, but they did not follow through. According to one policy analyst, "For them, this business is more an attempt to branch out into the business of sustainability than establishing it as an actual profitable vertical" (Mukul 2020). As a result of the private sector's lack of interest and the government's failure to deploy SOEs, India remained an infrastructure deficit country. India had one of the lowest penetration rates for charging stations among leading economies, according to a report (Arthur D Little 2022). Figure 3 illustrates this fact.

[Figure 3] India's EV Charging Infrastructure Deficit Vis-à-vis Other Major Economies



Source: Author's elaboration based on data from, Arthur D Little (2022).

Against that backdrop, the state began to enhance its developmental statism role by building EV charging stations. In the process, the state roped SOEs to implement its developmental mission. In this context, it created a new SOE, Convergence Energy Services Limited (CESL). Table 3 shows that since its creation, the CESL has been leading in building EV charging stations across India: It has signed several pacts with state governments to set up EV infrastructure networks; Similarly, it has established several strategic agreements with other existing SOEs to expand India's EV ecosystem; Above all, it has also promoted PPPs in establishing EV infrastructure in the country.

〈Table 3〉 CESL's Leading Role in the Building EV charging stations across India

Timeline	Key Development
2021 June	CESL sing a pact with Goa, Kerala, and Andhra Pradesh to set up EV charging stations and supply electric two-wheelers through collaboration with private EV manufacturers.
2021 June	CESL inks pact with state-run hydropower company NHPC to supply EVs and build charging infrastructure.
2021 June	CESL entered a strategic relationship with state-run BEL to expand India's EV ecosystem
2021 June	CESL signed MoU with the private player TVS Motor Company to jointly develop the EV charging station for TVS's electric scooter network across India.
2021 June	CESL signed a pact with private player JBM Renewables to set up electric mobility ecosystem across India
2021 June	CESL inks pact with private player FCDIPL to build robust EV charging infrastructure
2021 July	CESL ties up with state-run HPCL to set up EV charging stations in all metro cities
2021 Sep	CESL to sell two-wheeled electric vehicles for Kerala government employees through collaboration with private EV manufactures
2021 Nov	CESL signed an MoU with private player MI to set up charging stations for the hotels managed by the MI across India.
2021 Nov	CESL sign an MoU with the GNIDA for setting up the EV charging stations.
2021 Nov	CESL inks pact with IIT Bombay to establish EV charging infrastructure
2022 Jan	CESL signed a pact with the Delhi govt for the installation of EV charging stations

Source: Author's research based on data from Ministry of Heavy Industries and Ministry of Power briefings.

Note: Convergence Energy Services Limited (CESL); Electric Vehicles (EV); Memorandum of Understanding (MOU); Bharat Electronics Limited (BEL); Greater Noida Industrial Development Authority (GNIDA); Marriott International (MI); National Hydroelectric Power Corporation (NHPC); Fortum Charge and Drive India Pvt Ltd. (FCDIPL)

Apart from creating a new SOE, the government has also actively mobilized the existing powerful SOEs in building the EV infrastructure network in the country. In the absence of private sector investment, the government instructed oil-related SOEs to enhance their footprint in the

EV infrastructure, and the latter has followed the former’s instruction. For example, in September 2021, state-owned Hindustan Petroleum Corporation Ltd (HPCL) announced its plans to build 5,000 EV charging stations over the next three years. Soon after the HPCL’s announcement, India’s largest state oil firm, the Indian Oil Corporation (IOC), announced setting up 10,000 charging stations for EVs in the next three years. Similarly, state-owned refiner Bharat Petroleum Corporation Limited (BPCL) also announced in April 2022 to invest around 2 billion Indian rupees in one fiscal year to set up 100 fast electric vehicle charging corridors having 2,000 stations along the busiest 100 national highways. The company also promoted PPP as it partnered with the world’s largest manufacturer of motorcycles and scooters, Hero MotoCorp, in 2022 to build EV charging infrastructure for two-wheeled electric vehicles across India.

To summarize, the Modi government adopted a developmental approach to building the EV infrastructure by creating a new SOE and enlisting existing SOEs to achieve developmental goals that also promote PPPs.

VI. Theoretical and Empirical Implications of the Study’s Findings

The findings of this study have both theoretical and empirical implications. Firstly, it suggests that the increased presence of SOEs in the global economy is a result of developmental statism, which involves the use of SOEs by the state to achieve domestic developmental goals. This study highlights that the Indian government has adopted a developmental statism approach by utilizing SOEs as a means of development. The Modi administration has established new SOEs in various infrastructure-related areas and utilized them to implement significant developmental projects. Additionally, the government has expanded the role of existing SOEs to meet their domestic development-related objectives. Therefore, this study contributes to the literature on the developmental state, which argues that the resurgence of SOEs is a result of the state's efforts to use state entities as policy tools to achieve its developmental agenda (Amsden 1989; Wade 1990).

Secondly, this study shows the resurgence of SOEs in the Indian economy isn’t meant to oppose the market economy. Instead, the government has used SOEs to promote PPPs in sectors that have witnessed slow progress due to the lack of state strategic intervention. In India, SOEs have also encouraged private players to enter into risky businesses. Moreover, SOEs have partnered with private players to develop specific sectors that remained underdeveloped due to the lack of effective PPPs. Therefore, this study contradicts arguments that view the resurgence of state capitalism as a ‘state versus market’ stance (Bremmer 2010; Kurlantzick 2016). Instead, it supports the developmental state literature, which suggests that the state may use SOEs to facilitate market capitalism and even promote the private sector's participation in the economy (Kim 2023; Wade 2014).

This study highlights the significant differences between the BJP-led statism in the neoliberal era and the former statism in the Congress era. The BJP government aggressively utilized SOEs to implement its key developmental tasks, particularly infrastructure development. While promoting SOEs, the BJP also emphasizes the importance of a market economy. This approach contrasts with the Congress’ Nehru and Indira Gandhi era, during which the government promoted SOEs at the expense of the market economy. BJP's developmental statism also distinguishes it from the Congress-led UPA government, which was also in favor of maintaining the dominance of SOEs, but not for the BJP-type aggressive developmentalism. Instead, their focus was on serving social objectives, such as providing government jobs.

Empirically speaking, this study has revealed an important trend in India’s economy, which has not been previously identified. The position of SOEs in the Indian economy has strengthened significantly in recent years. Table 4 was constructed based on data from the Ministry of Heavy Industries and Public Enterprises, and it shows that the number of SOEs operating in India has increased from 213 to 249 in 2018-19, an increase of 16.9% over the ten years following the GFC. Furthermore, the number of profit-making SOEs has also increased from 158 to 178 over the same period.

Moreover, the operating SOEs have become more active in the post-GFC era, resulting in a significant increase in their turnover from 12 trillion Indian rupees to 25 trillion Indian rupees and their income from 12 trillion Indian rupees to 24 trillion Indian rupees between 2008-09 to 2018-19. The government has also increased its investment in SOEs, rising from 7 trillion Indian rupees to 16 trillion Indian rupees between 2008-09 to 2018-19, reflecting a growth of 128.6%. Overall, the state has utilized SOEs as a means of development, resulting in an increase in investment and a significant expansion of SOEs operating in India.

〈Table 4〉 State-own Enterprises' Strengthening Position in Indian Economy

(Unit: Trillion Indian rupee)

Contents	2008-09	2018-19	% Growth over Ten Years after Global Financial Crisis
No. of Operating SOEs	213	249	16.9%
No. of Profit-Making SOEs	158	178	12.6%
Turnover of (operating) SOEs	12	25	108.3%
Income of (operating) SOEs	12	24	100%
Government investment in SOEs	7	16	128.6%

Source: Author's calculation based on data from the Ministry of Heavy Industries and Public Enterprise's Annual Reports

Ⅶ. Conclusion

In conclusion, this paper has demonstrated that developmental statism is on the rise in India under the Modi administration. We have shown how the state has utilized both pre-existing and newly created SOEs to achieve its infrastructure developmental goals. Additionally, we have shown that the increasing role of SOEs in the Indian economy does not necessarily mean the demise of the market economy, as some studies have suggested. On the contrary, the rise of SOEs in India is also intended to promote the market economy by encouraging PPPs. This paper has enriched the existing literature in many ways. However, the question remains: what is the impact of developmental statism in India? This question extends beyond the scope of this paper, and future research can explore this question through detailed analysis.

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국문요약

인도에서 발전적 국가주의(Developmental Statism)의 부상: 모디 정부의 인프라 개발 전략 중 국유기업의 부활을 중심으로

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이 논문은 나렌드라 모디 정부가 인프라 개발 목표를 달성하기 위해 국영기업(State-own Enterprises: SOEs)을 어떻게 활용해왔는지를 고찰 한다. 인도는 1991년 글로벌 신자유주의 정책을 시행한 후 국가의 역할을 축소하고 민간 부문의 활동을 촉진했다. 그러나 민간 부문의 투자 유치에 실패하면서 성장률 하락으로 이어졌다. 이러한 경제 성장률 하락과 인프라의 더딘 성장은 2008년 글로벌 금융위기 이후 주요 정치 이슈가 되었다. 2014년 30년 만에 처음으로 단일 정당으로 다수당이 된 인도인민당(BJP)에서 나렌드라 모디 정부가 출범하면서 인도의 정치 지형은 큰 변화를 맞이했다. 모디 정부는 인프라 개발을 인도의 성장 스토리를 되살리는 중요한 요인으로 파악했다. 중요한 인프라 개발 프로젝트를 수행하기 위해 SOEs를 '개발적 수단'으로 광범위하게 활용함으로써 '발전적 국가주의 (Developmental Statism)'를 수용했다. 인도의 이러한 발전적 전략은 새로운 SOEs의 생성과 기존 SOEs의 확대로 이어졌다. 이 논문은 또한 인도 경제에서 SOEs가 부활한다고 해서 시장 경제가 저해되는 것이 아님을 강조 하고 대신 민관 협력을 통해 시장 경제를 촉진할 수 있음을 고찰한다.

주제어: 인도, 신자유주의, 발전국가주의, 국영기업, 2008년 글로벌 금융위기, 인프라 개발, 모디 정부

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