



# AN EXPLORATORY STUDY ON EMERGENCE & PRESENCE OF CRONY CAPITALISM IN WEST MAHARASHTRA REGION

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## ABSTRACT

*Proposed research paper can emphasize on emergence and presence of crony capitalism in western Maharashtra region special study of Pune, Satara, Sangli, Kolhapur, Ratnagiri, Raigad and Sindhudurga districts. We have presented some factors which could be possible for presence of crony capitalism in this area. There may be positive or negative elements of this concept but basic idea behind to show the unethical development of western Maharashtra region. We considers Maharashtra as leading state in Indian subcontinent but there is also black image behind aggressive development.*

**KEYWORDS-** *Crony capitalism, Nepotism, Political Nexus, Subsidies etc.*

## INTRODUCTION

There is a proverb that there is no ‘Tantra’ (system) without the ‘Artha’ (Money). The world has many systems like capitalism, communism, socialism, and a mixed economy. There are four factors of production in all these systems namely; land, labour, capital, and the entrepreneur. The fourth factor of production (FOP) I.E the entrepreneur is responsible for many industrial revolutions in the world. But worth mentioning, the success of the entrepreneur depends on the political support of the government of the concerned country. As soon as we are having more economic and technical development, the income disparity is increasing day by day. This disparity is increasing due to a strong nexus between the politicians and the entrepreneurs. This nexus is called crony capitalism.

One rampant concern that Indian Economy and society today is facing tremendous corruption and cronyism or crony capitalism. So many large scandals have been evolved in current modern free economy. Generally, many scholars have shown lesser interest to flow out such crony nexus preserved from historical period of Indian society. In this research paper, we attempt to fill this gap by discussing emerging and presence of crony capitalism in west Maharashtra region its economic and political diaspora, followed by critical review of Maharashtra economic and social philosophy and how it bred cronyism. For instances, first we should familiarize with concept and meaning of crony

capitalism. Understanding of crony capitalism, we hereby used some eminent scholar’s arguments and opinions. As Mazumdar (2008a) argued, the term crony capitalism is not part of standard set of concepts discussed in economic theory. The concept became popular while trying to find explanations for the economic crisis in Asia during the late 1990s but since then has been used in a variety of ways. He suggests word “crony” which originally simply meant friend or buddy, acquired a negative meaning similar to nepotism. Accordingly, crony capitalism emerged as a derogatory or derisive term used to describe the illegitimate use or abuse of public authority to favor businessmen or business firms who have close relations with those exercising that public authority.

Tullock (1967) argues that the business class in general will always have an incentive to devote resources to go about acquiring favorable treatment, triggering corruption and crony capitalism. Simply crony capitalism means profitable consideration derived through lubricating relational capital between political -businessmen-public authority for incentivize and monetize benefits that gave them competitive edge over others. This is often achieved by using the state power rather than competition in managing permits, government grants, tax breaks, or other form of state intervention over resources where the state exercise monopolist control over public goods. It is also used to describe governmental decision favoring cronies of government officials. In



this context, the term is often used comparatively with corporate welfare. According to Allister Heath, Real business people, who make their money in open, competitive markets, are entitled to their vast wealth but crony capitalists, who rely on state privileges, don't deserve our support. Cambridge dictionary rightly interpreted towards crony capitalism is that an economic system in which family members and friends of government officials and business leaders are given unfair advantages in the form of jobs, loans etc.

### **What is the meaning of Crony Capitalism?**

Crony capitalism means a capitalist society in which the success of the business depends on the nexus between a political class and business class rather a free market and the rule of law.

The success of a business is dependent on the favoritism that is shown by the government in the form of government grants, tax breaks, allocation of legal permits, prefixed tenders, pro-businessmen policies, and other favourable incentives.

In fact, Crony Capitalism is the dominant form of capitalism because of incentives provided by the government to the capitalists. These incentives include; fostering rent-seeking activities, limiting competition, creating barriers to entry, and obtaining subsidies.

### **OBJECTIVES**

The major objectives of this study are-

1. To study presence of crony capitalism in western Maharashtra districts.
2. To present causes of emergence of crony capitalism in western Maharashtra.
3. To elaborate positive and negative effects of crony capitalism in western Maharashtra districts.

### **RESEARCH METHODOLOGY**

This research paper purely based on direct interview method, so the information collected from the western Maharashtra districts namely Pune, Satara, Sangli, Kolhapur, Ratnagiri, Sindhudurga and Raigad. Also some sort of secondary data has been

used for proper understanding of proposed concept. This secondary data were collected from books, journals, websites and reports.

### **Supporting Idea & data**

For describing proposed idea, we used some historical data of Maharashtra state including economic, social, political and cultural elements. These elements either conducive or favorable in the terms of economic or monetary development of state. Maharashtra is richest state in India. Maharashtra has featured prominently several cronyism activities over the years. Maharashtra is situated in the western region of the country. It is the most industrialised state in India and has maintained its leading position in the industrial sector in the country. The state is a pioneer in small scale industries and boasts of the largest number of special export promotion zones. Maharashtra has a large base of skilled and industrial labour, making it an ideal destination for knowledge based and manufacturing sectors. Maharashtra's Gross State Domestic Product (GSDP) at current prices was Rs. 32.24 trillion (US\$ 467.38 billion) in 2019-20. GSDP of the state increased at a CAGR (in Rs.) of ~13.16% from 2015-16 to 2019-20. The Government of Maharashtra has several policies in place to set up the right kind of business climate in the state. These policies aim to motivate investors to invest into various sectors in the state, thereby contributing to the overall development of the economy. According to Department for Promotion of Industry and Internal Trade (DPIIT), FDI inflow in Maharashtra stood at US\$ 8,429.45 million between October 2019 and June 2020, the highest among all states in India.

### **Crony Capitalism Index India & world**

Crony Capitalism Index calculates, how much economic activity occurs in industries prone to cronyism? In the Crony capitalism index, 2014 Germany was the cleanest country where just a businessman/ billionaire of the country fetches his wealth from crony sectors.

On the other hand, Russia was among the worst countries where 18% of the country's wealth comes from the country's crony sectors.



India was ranked at 9th position in crony-capitalism where crony sector wealth accounting for 3.4% Gross Domestic Product (GDP) of the country. The non-crony sector wealth amounts to 8.3% of the GDP of the country.

In the Crony capitalism index 2016, Russia was the worst country followed by Malaysia on the second rank, the Philippines on 3rd rank and Singapore on the fourth rank.

### Example of Crony Capitalism Indian Scenario

Due to some constraints, we can't reveal the name of the companies and their owners who are enjoying huge benefits from Crony Capitalism.

There are many companies in India experiencing huge profits since the last 6 years. These companies are donating huge money in the name of election funds and getting back many favourable policies and tenders and enjoying huge profits. If you see the list of billionaires of India, some of them have increased their total assets many folds in the past few years.

An Oxfam report 2019, titled "Public good or Private Wealth" revealed that **India's top 10% rich holds 77.4% of the total national wealth**. On the other hand, the bottom 60% population holds only 4.8% of the national wealth.

The biggest aftermath of Crony Capitalism is that it is increasing the income disparity in the world on a daily basis.

So it can be concluded that the existence of Crony Capitalism is helping in concentrating the wealth of the country in very few rich in the country. This Crony Capitalism is responsible to make the rich richer and the poor get poorer.

### Economic Background of West Maharashtra region

We have been studied western Maharashtra districts economy which are totally supported the concept of crony capitalism in this region. We have taken districts for enquire, these are Pune, Satara, Sangli, Kolhapur, Ratnagiri, Raigad and Sindhudurga. We found Sugarcane, Grapes, Pomegranate, Mangoes, Cashew, Tobacco, Turmeric, Ginger, Green vegetables and cash crops are main cultivation agricultural produce in this districts. Kolhapur has rich culture of Jaggery making homemade domestic small scale industries. The raw material such as sugarcane, water, electricity area abundance in this region. Western Maharashtra enjoys utilization of various natural resources for making final goods into the market. The major political power nurtured in this area uplift nepotism in economic and social activity drives. Some popular families are commanding over cooperative banks, cooperative milk societies, private business, and small and medium scale enterprises. Their representatives are working in state or central government cabinet ministry therefore they always liked to divert various government funds and grants for their respective individuals enterprise development this is possible only because or rampant corruption in district administration. Majority of senior civil servants are preferably appointed as per their need this evidence could prove that crony capitalism has been prevalent since formation of Maharashtra state. In western Maharashtra, state government had established in every districts (MIDC) Maharashtra Industrial Development Corporation for regional economic development. If we consider Kolhapur district it has 2 five Star level MIDC for industrial production but the land allotted in MIDCs are favoring into crony capitalist or loyalist to local political leaders. Same condition is



appeared in Sangli district. Satara district is surviving into pure nepotism as well as religious aggressive politics which could pave the way for social clashes between various groups. Ratnagiri, Raigad, Sindhudurga having large scale of natural resources such as red soil, bauxite, mineral rocks etc. if we looks close at this point, we assumed that favorable centralized licensing disbursement policies with close relations with politicians .

### **Social Background of West Maharashtra region**

The rich western Maharashtra has witnessed various people's movements including pro government or anti-government. In western Maharashtra, the population classification has been unique in itself. There are variety of cultural groups, social groups and ethnic groups is residing in this area. This region gave national leadership at the time of India struggle for independence. There is men and women equality all allied area except political and entrepreneurial sector. Only those women have been representing whose spouse or relatives are close allies with crony capitalist. Only single dominant caste have enjoyed special treatment with rent seeking ability from business persons. There is minimum percentage of scheduled caste and scheduled tribes peoples in business, politics and social organisations. Every time we have seen religious and social clashes between upper caste lower caste peoples. Lower caste peoples tend to believe that this super rich class person enjoys economic benefits for instances of their nexus between elite group and government officials. This perception is strong evidence for cementing the idea of emergence and presence of crony capitalism in western Maharashtra districts.

### **Religious & Caste based Background of West Maharashtra region**

All the districts in study of crony capitalism have strong base of religious and caste based background. Majority of peoples living in Pune, Kolhapur, Sangli, Satara, Ratnagiri, Raigad and Sindhudurga district are Hindu religion following peoples. Other are also present in this region like Buddhist, Muslims, Sindhis, Punjabi, Christian etc. over the last 40 to 50 years only Hindu dominance leadership have been aggressively represented this region. Other religion based leadership have enjoy negligible representations in western Maharashtra region. There is direct relation with religion and crony capitalist emergence in this area. Presence of orthodox leader having strong command over regional business community and regional economic environment that's why their presence in Milk industry, Cooperative stores, Sugar Factories, Agricultural Banks, Influence in District Administration have shown us tremendous pressure

over revenue department, police as well as law & order department for making of policies according to their needs and personal or family profits. So it has been proved that, only single Maratha caste have been enjoying economic benefits that had been ascertained from diluting various government policies as per their convenience. The populations belonging from minority religion facing various problems for establishing their trade enterprises due to presence of landlords.

### **Political Background of West Maharashtra**

Maharashtra state is jumping ground for ideal modern and revolutionary politics having touch with progressive movement based on Phule Shahu Ambedkar centric genere. Maharashtra has different political movement as per region and locality. Especially, western Maharashtra enjoys crony political base in entire region. Generally political parties were allotting party tickets to capitalist or landlords in western Maharashtra or agriculturist who has minimum 100 to 200 acre holdings of land. In western Maharashtra comprises Mumbai to sindhudurga upto Kolhapur. Every district has different politics, different political organisations, different political supremacy, and different politically inspired peoples. If the presence of crony capitalism is seen in western Maharashtra regions we ascertain following political issues.

- In western Maharashtra presence of supreme political leaders is the effect of crony capitalism.
- Every political party's gives tickets for contesting general assembly election or parliamentary election even village elections only those peoples who have more money power, land power, business power.
- Strong nexus between businessmen government officials and political representatives.
- Capital centric political representation in every districts having Nepotism in choosing candidature in western Maharashtra specially Satara, Sangli and Kolhapur districts.
- Lower level political ethics in west Maharashtra region more emphasis on caste centric politics found.
- Businessmen are also politicians and their relatives are also capitalist cum politicians.

### **BENEFITS OF CRONY CAPITALISM IN WESTERN MAHARASHTRA**

- The supportive argument in favor of crony capitalism is that there is proven credibility within business community for financial



commitment and financial task accomplishment.

- The second argument in favour of crony capitalism is the empirical observation that in the absence of limited government, it encourages firms to invest in various production activities.
- It appears growing economic and labour opportunity for local level skilled population for sustaining their livelihood.
- Banks were able to direct lending to a small number of favoured clients, ensuring their needs were met and facilitating high growth. The flexibility of these institutions meant that when markets turned down, help was still provided. The family nature of many of the client firms brought high levels of flexibility and an ability to exploit opportunities.
- The third argument is that cronyism provides a way of overcoming some of the weaknesses of a market system. Examples include the identification of new market opportunities or of entrepreneurial talent by government bureaucrats. Furthermore, cronyism can be used to establish profitable conditions right from the inception of a project.
- Local sugar and food processing industry has been directly benefited from presence crony capitalism in western Maharashtra this is possible only because of favorable concession policies from board of directors which was appointed based on family lineage link with various societies.
- Builder lobby and officers lobby are accumulated crowded assets through the economic benefits of crony capitalism also gets some economical margin by the way of alternative resources.

### UNFAVOURABLE EFFECTS OF CRONY CAPITALISM IN WESTERN MAHARASHTRA

1. **Excessive capital accumulations** – the adverse effect of crony capitalism in western Maharashtra are facing accumulated capital which has been unutilized for underdeveloped area. If we take the examples of drought prone talukas in Sangli district such that Jath, Kavathemahankal, Atpadi etc. are severely facing limited water resources, shortages of electricity, underdeveloped society etc. also Satara district is facing same problem in its talukas such as Maan & Khatav. The resources available in this talukas has controlled by local political and business leaders they

dominates over right having vast autocracy in breaking down of resources. Since last 40 years this talukas were facing harsh administrative bottlenecks due to excessive political interference in local activities.

2. **Centralized leadership**- we found that Sangli, Pune, Satara, Kolhapur, Raigad, Ratnagiri and sindhudurga districts nurtured patronage politics from local to national level. Every taluka representative i.e. MLA have minimum 20 to 100 acres of agricultural land. They also have educational institutes and cooperative societies. They are not ready for transforming leadership from upper to lower and lower to upper. They always believe that their leadership should transfer to their blood successor. And hence there is unethical politics has been seen in this area. This political leaders are showing their interest in accumulation of unlimited assets so as this negative sentiment could prove that this are real crony capitalist which was born before Indian Independence.
3. **Favoritism in creditability maintenance**- Creditability is driven from close link with monetary resources and administrative resources. This statement has strong weightage for unfavorable balance between middle class and lower class peoples. Local crony have always been aside of monetary factors. They think that if we have money then we will get administration at our feet. This false sentiment gave new path for aggressive corruptions and favoritism attitude.
4. **Loss to common Man**- unhealthy and unprotected administrative policies adversely affected living conditions of common man, we found that common man did not get anything from crony capitalism, contrary they have faced harsh treatments from this representatives, crony capitalist are always hunting resources of common man but response to its common man received only empty hats. In western Maharashtra richer are getting more rich but poorer are becoming more poor in the sense of economics terms.

### LIMITATIONS

There is few limitations based on available data and articles. This research paper is based on secondary data from various sources. For presenting and exploring basic in this paper we have discussed probable causes and effect of crony capitalism in western Maharashtra. This study is also limited to the districts engulfed in western Maharashtra especially Pune, Satara, Sangli, Kolhapur, Ratnagiri, Raigad,



and Sindhudurga. Due to availability of limited resources we have discussed short but effective narration of thoughts. There will be enormous chances of representing data but we made devoted efforts towards this paper.

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