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REVIEWER'S REPORT

Manuscript No.: IJAR- 59036

Title: State-Directed Credit and Divergent Industrialization: A Comparative Study of India and South Korea, 1965-1985.

Recommendation:

Accept after minor revision.

Rating	Excel.	Good	Fair	Poor
Originality	✓			
Techn. Quality		✓		
Clarity		✓		
Significance		✓		

Reviewer Name: Dr. Bishwajit Rout

Reviewer's Comment for Publication.

(*To be published with the manuscript in the journal*)

The reviewer is requested to provide a brief comment (3-4 lines) highlighting the significance, strengths, or key insights of the manuscript. This comment will be Displayed in the journal publication alongside with the reviewers name.

1. **Significance**: The paper addresses an important question concerning how state-directed finance influenced divergent industrialization trajectories in India and South Korea. Its comparative focus highlights that similar banking interventions can serve different developmental objectives. The distinction between access-oriented and strategically concentrated credit is valuable. Stronger causal reasoning, source verification, comparative measurement, and theoretical integration would substantially increase the manuscript's contribution to development economics.

2. **Strength**: The manuscript's principal strength is its clear comparative narrative and attention to the institutional purpose of directed credit. The contrast between India's rule-based priority-sector approach and Korea's discretionary strategic lending provides a useful analytical foundation. Its discussion of risk redistribution and developmental trade-offs is particularly promising. Tables also help synthesize differences across allocation principles, objectives, outcomes, and institutional characteristics.

3. **Key Insight**: The paper's central insight is that state-controlled banking cannot be evaluated independently from the developmental strategy governing credit allocation. India's emphasis on broader financial access and Korea's concentration on industrial transformation produced different outcomes despite substantial state intervention in both systems. This insight is persuasive conceptually, but requires stronger empirical identification to establish how credit allocation mechanisms independently influenced industrial performance.

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The paper titled *"State-Directed Credit and Divergent Industrialization: A Comparative Study of India and South Korea, 1965-1985."* examines state-directed credit and divergent industrialization paths in India and South Korea from 1965 to 1985. While both expanded state control over banking, India pursued rule-based priority-sector lending and rural inclusion, whereas South Korea used discretionary allocation toward export-oriented firms and strategic industries. Korea's concentrated credit supported faster manufacturing and export growth, while India's broader financial expansion achieved wider coverage but weaker efficiency and limited structural change. The paper concludes that state-controlled banking is neither inherently developmental nor distortionary; outcomes depend on priorities, mechanisms, and industrial strategy.

Suggestions for Improvement:

1. The introduction should distinguish state-controlled banking from industrial policy, trade policy, and broader developmental-state institutions.
2. Develop a clearer causal argument explaining why similar banking interventions produced different outcomes under contrasting national development strategies.
3. The historical narrative should distinguish clearly between events preceding nationalisation and developments occurring during the selected 1965-1985 period.
4. The paper should identify specific theoretical mechanisms connecting institutional arrangements, credit allocation, firm behavior, and industrial transformation.
5. The analysis should standardize definitions of directed credit before comparing its magnitude across the two banking systems.
6. Include additional sector-level indicators showing whether directed credit translated into productivity, employment, technological upgrading, and capital formation.
7. Distinguish credit risk, systemic risk, fiscal risk, and macroeconomic risk within the comparative discussion.
8. Compare monitoring mechanisms, repayment conditions, export targets, and performance requirements imposed on supported firms.
9. Define all comparative indicators used in tables.
10. Separate correlation from causal interpretation throughout.
11. Clarify whether values are nominal or constant prices.

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The manuscript examines an important comparative question and offers a promising interpretation of divergent industrialization in India and South Korea. Its emphasis on differing credit allocation mechanisms rather than state intervention alone is valuable. However, substantial revisions are necessary regarding causal inference, data comparability, theoretical integration, source verification, and alternative explanations. The empirical evidence should be strengthened and historical claims carefully qualified. I recommend Minor Revision before the manuscript can be considered suitable for publication. Addressing the identified weaknesses will make it suitable for publication in IJAR.

I recommend this paper for publication after minor revision.