ARYAVART SHODH VIKAS PATRIKA
RNI TITLED NO. UPBIL04292
RNI REG. NO. UPBIL/2014/66218
PP. NO.- 90-92

ISSN NO.-2347-2944 (Print)
e-ISSN NO.-2582-2454 (Online)
Vol.-03, No.-II, Issues-15YEAR-2014 Extra

Industrial Development in India: Trends, Problems and prospects

Amit Kumar Srivastava
Nai Bazar, Buxar (Bihar), India

Abstract: ***Before the First plan, industrial development in India was confined largely to the consumer goods sector, the important industries being cotton textiles, sugar, salt, soap, paper and leather goods, Thus the industrial structure exhibited the features of an underdeveloped economy. Industries manufacturing coal, cement, steel, power, non-ferrous metals, chemicals etc.were also established but their production was small. As far as the capital goods sector was concerned, only a small beginning was made. On the whole, while consumer goods industries were well-established, producers goods industries lagged considerably behind.***

Key Words: industrial development, confined, consumer, textiles, structure, exhibited, features .

The first plan did not envisage any large-scale programmes of industrialisation. Only Rs. 55 crore out of the total expenditure of Rs. 1960 crore in the First Plan was spent on industry and minerals. The Second Plan accorded top priority to programmes of industrialisation which would be clear from the fact that the expendiure on industry and minerals was increased to Rs. 938 crore under this plan which was 20.1 percent of the total expenditure of Rs. 4672 crore. Based on Mahalanobis Model the Second Plan set out establish basic and capital goods industires on a large-scale so that a strong base for industrial development in the future could be built. Three steel plants of one million tonnes ingot capacity each were set up in the public sector.

Third plan also emphasised the establishment of basic capital and producer goods industires. Expenditure on industry in the Third plan was 1726 crore which was 20.1 per cent of the toal expenditure of Rs. 8577 crore under the plan. The structure of industrial development was further nutured in the Fourth and Fifth Plans with minor changes. The expenditure on industry was hiked to 22.8 per cent in the Fifthe Plan. The Sixth Plan emphasised optimum utilisation of existing capacities and improvement of productivity and enhancement of manufacturing capacity. Of the total expenditure of Rs. 109,292 crore under the Sixth plan,the share of the industrial sector was Rs. 15,002 corer which comes to 13.7 percent. During this period, industrial and trade policies were substantially liberalised.

Objectives for the industrial sector in the Seventh Plan were kept as follows: (i) to ensure adequate supply of wage goods at reasonable prices,(ii) to maximise the utilisation of the existing facilities through restructuring and upgradation of technoligy,(iii) to concentrate on development of industries with large domestic market and export potential. (iv) to usher on development of industries with large domestic market and export potential. (iv) to usher in 'sunrise' industries with high growth potential and relevance to our needs, and to evolve an integrated policy towards self-reliance in strategic firlds and open up avenues for employment. The overall outlay ecvisaged in the Seventh Plan for industrial and mineral programmes in the public sector was Rs.22,416 crore. Industrial production was targeted to grow at the rate of 8.7 percent per annum. The actual average rate of growth during the Seventh Plan was 8.5 percent per annum. As far as the Eighth Plan is concernedd, the overall outlay for industrial and mineral programmes in the public sector was kept at Rs. 40,588 more. This is only 9.3 percent of the total putlay of Rs. 434,100

Corresponding Author

ISSN NO.-2347-2944 (Print)
e-ISSN NO.-2582-2454 (Online)
Vol.-03, No.-II, Issues-15YEAR-2014 Extra

crore int he Plan. The Ninth Plan envisages an industrial growth of 8.2 per cent per annum. Policies advocated to achieve this groth rate are (i)ensuring adequate availability and requisite quality of infrastructure' (ii) adoption of special measues to promote the development of industries in backward areas,(iii) introducing a special package for the industrial development of the North Eastern States;(iv) reviewing the working of Board for Insustrial and Financial Reconstruction (or BIFR) and bringing about necessary changes to make it an effective instrument of reviving sickindustrial units, (v)initiating steps to close down potentially unrevivable public units,(vi) promoting production and productivity in the small- scale industries through technoligical upgradation and (vii) adoption of a cluster approach in the unorganised sector for provision of training, upgradation of skills and improvement in tool kits, equiment and production techniques to increase production and income levels of artisans and workers.

TRENDS IN INDUSTRIAL PRODUCTION-Industrial develpment during the plan period can be divided into the following four phases: Phasw I (1951-56): Building up of Strong Industrial Base: Phase I laid the basis for industrial development in the future. The Second plan based on Magakabivus Model, emphasised the development of capotal goods industries and basic industries. Accordingley, huge investments were made in industries like iron and steel, heavy engineering and machine building insystries. The same pattern of unvestment was continued in the Third Plan as well. As a result there occurred a noticeable acceleraton in the compound growth rate of industrial production over the first three plan periods up to 1965 from 5.7 percent in the First Plan to 7.2 percent int the second plan and further to 9.0 pecent per annum in the First plan to 13.1per cent annum in the Second Plan and further ot `9.6 percent per annum in the Third Plan.

Phase II (1965-80): Industrial Dcelerationand Structural Retrogression: The period 1965 to 1976 was marked bya sharp deceleration in industrial growth. The rate of growth fell sharply from 9.0 per cent per annum during the Third Plan to amer 4.1 per cent per annum during the period 1965 to 1976. The last year of Phase II, i.e., 1979-80, recorded negative growth of industrial production fo 1.6 per vent over the perceding year. Several explanations were offered for the phenomenon of deceleration and retrogression in the industrial sector during Phase II. Government expressed the view that exogenous factors such as the wars of 1965 AND 1971, drought conditions in some years infrastructural contrains and bottlenecks and the oil crisis of 1973 were resposible for slowdown of growth. K.N. Raj argued that low growth in the agricultural sector accounted for the slowdown of inustrial growth by restricting the supply of raw materials on the one hand and by contraning the demand for industrial goods on the other. T.N. Srinivasan argued that there was a considerable slackening of real investment in Phase II particularly in the public sector and this brought doen the rate of growth in the industrial sector. Some economists like Jagdish Bhagawati blamed the wrong industrial policies, complex bureaucratic system of licensing and irrational and inefficient system of controls for industrial deceleration.

Phase III (1981-1991): Period of Industrial Recovery: The peroid of 1980s can vroadly be termend as a period of industrial recovery.

The rate of inustrial growth was 6.4 per vent per annum during 1981-85, 8.5 per cent per annum during the Seventh Plan and 8.3 per cent is 1990-91. This is a marked upturn from growth rates of around 4 per cent achieved during cricket the latter half of 60s and 70s.

The main causes of industrial recovery during the 80s are as follows:

1. New industrial policy and liberal fiscal regime: One of the main causes of industrail recovery during the 80s was the liberalisation of industrial and trade policies by the Government. The most important changes have related to bringing down the domestic

PIF/5.002 *ASVS Reg. No. AZM 561/2013-14*

barriers, to entry and expansion to inject a measure of competition in domestic industry, simplyfy the procedures and provide easier access to better technology and intermediate material imports as well as more flexibili ty in the use of installed capacity with a view to enabling easier supply responses to charnging demend conditions. These factors operating from the supply side were helped by the pursuit of what may be termed as a liberal fiseal regimes. The important feature of liberal fiscal regime were (i) maintenance of high budgetary deficits years after year, (ii) resort to massive borrowing often at high interest rates and (iii) the encouragement of dissaving. Liberal fiscal regime helped in generating demand for manufactured goods, liberal industrial and trade policies ensured that an adequate supply response was following.

2. Contribution of the agricultural sector- Increased rosperity of large farmers in certain regions of the country helped to increase additional demand for industrial goods. The rural sector's demand for non-agricultural consumer products rose considerably from 35 percent in 1967-68 to 47 percent in 1983.

3. Growth of service sector- There was a significant increase in government expenditure on all services in the 80s. The consumption pattern of the service class is less food intensive and more oriented towards durable consumer goods. Therefore, the consumption pattern effective demand in 80s changed in favour of consumer durabale goods.

4. The infrastucture factor- There was a market resurgence in infrastructure invesstment in the 80s. As against only 4.2 percent annum increase in infrastructure investment during 1965-66, the increase was as high as 9.7 percent per annum during 1979-8 to 1984-85. Infrastructure investment rose further by 16.0 per cent in1985- 86 and 18.3 percent in 1986-87.

Phase IV (The Prtoid 1991-92 onwards): The year 1991 heralded a new era of economic liberalisation. Major liberalisation measures designed to affect the performance of hte industrial sector were - widescle reduction in the scope of industrial licensing, simplification of procedural rules, reductions of aresa exclusively reserved for the public sector, disinvestment of equity of selected public sector, undertakings, enhancing the limit of foreign eqity participation in domestic industrial undertakings, liberalisation of trade and exchange rate policies, reduction of customsa nd excise duties and personal and corporate income tax etc.

Prospects: As a founder- member of the World Trade Organisation, India has withdrawn all quantitative restrictions on imports. The pressure of competition will be particularly harsh on many small-scale units as they simply cannot withstand competition from resource-rich and techologically advanced multinational companies. In fact, even our large private sector companies are just pygmies compared to MNCs and many of them fear competition is going to be tough. So far as the basic goods and capital goods industries are concerned, they might receive a setback as the end-use industries will nor have full access to cheaper imports. Challenges will not be easy for the end-use industries as well as they have to compete with foreign goods on both price and uality fronts.

REFERENCES

1. Gupta S.P. (1998), 'Post Reforms India: Emerging Trends', published by Allied Publishers, New Delhi.
2. Ministry of Commerce and Industry – Annual Report (2013-14), Published by Government of India, available on http://commerce.nic.in/publications/pdf/anualreport_chapter2-2012-13
3. Sharma Rajendra (1997), Industrial Labour in India, Atlantic Publishers and Distributors, New Delhi
4. Gisbert P. (1971) Fundamental of Industrial Sociology, TATA McGraw Hill Publishing Company LTD. New Delhi

*****