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24. Industrial Development under Economic Plans in India

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Abstract

The present article reviews the industrial development over the plan period in India. The article examines the thrust areas in different five year plans and the growth performance of the industrial sector in India. Plan allocations for industrial sector are also deal with.

Government of India gave precedence to industrial development under its policy of Economic planning. Efforts were made to develop small medium, large, basic and heavy industries during the plan period. This led to transformation of the industrial map of India. The Indian economy benefitted immenely from the solid foundation in the form of establishment of various indiustries in different areas of production. The industrial development of India can be analysed in terms of progress made in different economic plans implemented by the government, starting with the first five year plan.

First Five Year Plan

The first five year plan started in 1951. The government recognised the importance of co-existence of public and private sectors and adopted mixed economy model for India. Following were the objectives of the government as regards industrial development during the first five year plan.

1) To increase the productive capacity of capital goods industries like steel, cement, machine-building etc.
2) To complete the old industrial projects and establish the new ones.
3) To fully utilise the productive capacity of capital goods and consumer gods industries.
4) To resolve various problems faced by industries and increase their efficiency.

Though the main emphasis of the first five year plan was on agriculture and irrigation, efforts were also made for industrial development. Infrastructure development was particularly prioritised in terms of basic amenitics like provision of electricity and water for the industries. An investment of Rs. 800 Crores was targeted in the Industrial sector during the first plan, out of which Rs. 340 Crores were actually invested for the replacement, modernisation and establishment of new industries. Rs. 57 Crores were spent on the public sector industries.

Industrial production increased by 39 percent during the first five year plan which translaves into 7 percent cumulative growth per year. The growth rate of the iron and steel industry was 22 percent while that of textile sector was 20 percent. Various Public sector units like Chattaranjan Locomotive Factory, Integral Coach Factory, Penicilin factory and Sindri Fertiliser factory were established. There was a substantial growth of industries like textiles, Sugar, Drugs and Chemicals, machine building and cement industries.

Second Five Year Plan

The second five year plan started in 1956. The second five year plan was formulated consistent with the industrial policy resolution of 1956. Greater emphasis was laid on public sector and within it the establishment of basic and heavy industries & capital goods industries. This was expected to enhance the self-reliance of the country in production of various goods. A total investment of Rs. 870 crores was made in the public sector. Total investment in the private sector was Rs. 265 crores.

The objectives for industrial development in the second five year plan were as follows.

1) To increase the productive capacity in industries like Aluminium, Fertiliers, Cement, Pharmaceuticals and Chemicals.
2) To increase the output of Iron and Steel heavy industries and Machinery.
3) To utilize the productive capacity fully to bridge the gap between productive capacity and the actual production.
4) To modernise the nationally important industries like textiles, jute and sugar.

During this plan period, three steel plants at Rourkela, Bhilai and Durgapur were established. A new fertiliser factory at Nangal was decided to be set up during this five year plan. Expansion of the fertiliser factory at Sindri, expansion of HIndusthan Shipyard and Chittaranjan Locomotives as well as Hindustan Machine tools was carried out.

This five year plan also saw major investment in basic and heavy industries. During this five year plan, production of agricultural sector and transport equipment increased very rapidly. The production of textiles, oil mills, Sugar, Mining and Cement, Tractors, Motorcycles, Scooters and Boilers also grew ropidly.

3) Third Five Year Plan

The first two five year plans created a conducive atmosphere for industrial development. As a result, it was decided that development of agriculture and industrial sectors must be emphasized equally. The plan was formulated with a view to laying a strong foundation for industrialisation and to achieve long-term objectives of economic development. It was agreed that the machinery and technology needed for development would be developed indigenously and imports would not be resorted to. The main objectives of the plan were as follows.

a) To increase the productive capacity of baisc and machine-building industry and to create its diversity.

b) To increase the output of mineral oil, Chemical, Aluminium and to increase the pace of industrialisation.

c) To complete the projects from previous five year plans.

There was a provision of 3000 Crore rupees for industrialisation in the third five year plan. The share of public sector was Rs. 1700 crore and that of the private sector was Rs.1300 crore. Attempt was made to reduce dependence on foreign assistance in Iron and Steel and machine-building industry. The rate of industrial growth during this five year plan slowed down to 6.8 percent. Wide-spread famines, shortage of foreign exchange, wars with Pakistan and China etc. are the reasons responsible for this low rate of industrial growth. However, some sectors like Petroleum Chemicals, textiles, Cement etc. showed impressive growths during the third five year plan.

4) Fourth Five Year Plan

There was a delay in the start of the fourth five year plan due to industrial recession and other economic crises. The state of the economy improved somewhat after 1968. The fourth plan started in 1969. The focus of the fourth plan was on increasing exports, import substitution and improving the productive capacities of industries.

The objectives of the fourth plan were as follows.

i) To increase employment opportunities through industrialisation.

ii) To increase investment in the industrial sector to attain self-sufficiency in industrial output.

iii) To increase productive capacity of the industrial sector to fulfill the needs of the domestic consumers and exports.

iv) To complete industrial projects from previous plans.

It had been decided to make investments worth Rs. 3050 Crores for industrial development in the public sector. In reality, only Rupees 2700 Crores of investment was made. Nearabout, 75% of investment was made in the core sector. It was in the sectors like Iron an steel, Non-ferrous metals, petroleum products, coal and fertilizers.

The target rate of industrial growth was 8% in the fourth five year plan. The actual growth rate however, turned out to be 4 percent. Inflationary conditions, Paucity of foreign exchange less than expected investment, were to blame for it.

5) Fifth Five Year Plan (1974-1978)

The fifth five year plan framework was drawn to achieve industrialisation and economic development by taking into consideration lacunae in the fourth five year. The industrial plan was formulated based on self-sufficiency, industrial growth, and social justice.

The following objectives were set for the fifth five year plan.

a) To increase India's exports by encouraging export industries.
b) To develop basic industries like Iron, Steel, Mineral oil.
c) To develop consumer goods industries like edible oil. pharamaceuticals and textiles etc.
d) To encourage development of industries in the backward areas.
e) To encourage small industries and cottage industries.

The fifth five year plan earmarked Rupees10135 for industrial development. This investment was to be divided between the public sector and rural and small scale industries.

The rate of growth for industrial output was fixed at 8.1 percent. The actual achievement was 5.3 percent. The government provided many concessions like lifting restrictions on the private sector, to ease the licensing system, and encouraging investments by NRI'S. The target for industrial growth could not be met because of shortage of electricity, lack of fuels, industrial disputes, underusilisation of capacity.

The Sixth five year plan (1980-85)

Before the start of the sixth five year plan, a review was undertaken of the five plans that preceded it. The successes and failures of last 30 years of planning were analysed. It was found out that many favourable changes like increase in the production of consumer goods and capital gods, modernisation of production facilites, change in the industrial structure. However some anomalies like regional inequalities, lack of competitive ability had crept in. Hence, the sixth five year plan was formulated with an objective to modernise industries, attain self-sufficiency and to create structural diversity. The objectives of the sixth plan regarding industrial development can be delineated as follows.

a) To enhance the productive capacity of private and public sector industries.
b) To encourage the development of capital goods and electronic goods industries.
c) To encourage the exports of industrial and engineering goods.
d) To encourage the process of industrialisation in backward regions and to remove the regional disparities in development.

e) To remove economic inequality.

f) To attain self-sufficiency

A total investment of Rs. 22,200 Crores was made for industrial development. It constituted 22.8 percent of the total expenditure incurred in the sixth five year plan. A provision of Rs. 4300 Crores for Petroleum industries and Rs. 2870 Crores for he coal industries was made in this plan. The expected growth of industrial output in the sixth plan was 7 percent. The actual growth rate of industrial output turned out to be 5.5 percent. The output of steel, cement non-ferrous metals, pharmaceuticals grew at a rate less than the expected rate. The sixth five year plan could not achieve its target growth rate due to reasons like shortage of raw materials, industrial unrest, managerial problems and shortage of electricity.

Seventh Five Year Plan (1985-1990)

The framework for the seventh five year plan emphasized the objective of growth with social justice and improvement in productive capacity.

The other objectives were.

a) To make consumer goods available to citizens at reasonable rates and standard.

b) To enhance the productive capacity of industries by restructiuring and modernising industries.

c) To increase employment opportunites through industrialisation and attain self-sufficiency.

d) To meet domestic demand and to increase exports through industrial development.

e) To encourage the newly emerging industries like computers and telecommunicationns.

In this plan, a total provision of Rs. 19710 Crores was made for large and medium-scale industries and Rs. 2750 for small-scale industries. An aggregate of investment of Rs. 22460 was made in the industrial sector during this plan. It amonts to 12.5 percent of the toal planned expenditure. The seventh five year plan emphasised infrastructure development, power-generation capacity, new power projects. In addition it was decided to encourage modernisation and adoption of new technology in the textiles and the sugar sectors and to boost the export performance of the select sectors. It was also decided that industrialisation in the backward regions and removal of regional inequality will be targetted.

The growth rate for industrial production was targetted at 8.7 percent. The actual growth rate was 8.5 percent. During this plan, power generation, Mining industries, capital goods industries consumer goods industries saw considerable' developemnt.

The Eighth Five Year Plan (1992-97)

Political instability and economic crises led to a delay in the start of the eighth five year plan. The plan actually started in 1992. There were many chalenges before the economy during the five year plan. The fiscal deficit was high and foreign exchange imports were at a very low level. In this context, there were major challenges like poverty, economic inequality, unempolyment, etc.

The objectives of Eight Five Year Plan were

i) To implement effective schemes for population control through increased involvement of the people.

ii) To emphasize employment generation to achieve full employment level in the country.

iii) To remove illiteracy through the spread of primary education.

iv) to expand the facilities for drinking water and health.

v) To give an impetus to the process of economic development through the improvement of infrastructure.

A review of the performance of the public sector and private sector industries was carried out during the formulation of new industrial policy in 1991. The public sector was expected to play a leading role during the initial phase of industrialisation in the country. However, the public sector fell short of expectations in terms of its performance and failure to raise resources. Private sector had proved itself better and more effective in entreprenenship, technological innovations and management. In the new economic policy of 1991, the concepts of liberalisation, privatisation and globalisation were enbraced. Hence, it was decided to contract the public sector and to encourage the private sector. The aggregate expenditure envisaged in this plan was Rs. 7,98,000 Crores. Out of which Rs. 4,34,100 Crores were to be spent in the public sector and Rs. 4,37,000 Crores were earmarked for the private sector.

An industrial growth rate of 7.4% was set for the eighth five year plan. The industrial growth rate saw an upturn as the eighth plan progressed, reaching its peak in the year 1995-96. There was decline in the industrial growth rate in the year 1996-97. The average rate of industrial growth during the five years of eighth plan was 7.3 percent. Efforts were made in this plan for the crucial sectors of energy, social services, mines and minerals and transport.

The Ninth Five Year Plan (1997-2001)

The ninth plan started in the year 1997. The objective of the ninth five year plan was, "Economic Development with Social Justice and' Equity." The other objectives of the ninth five year plan were as follows.

a) To achieve rapid economic growth along with stability of prices.

b) To remove obstacles to economic growth by controlling population.

c) To facilitate the availability of primary health care, clean and safe drinking water, and primary education.

d) To remove regional inequality through encouragement to small and cottage industries.

e) To solve the problem of unemployment through employment generation.

An expenditure of Rs. 8,75,000 Crores was earmarked in order to achieve the above-mentined objectives. Provisions were made for investment in the power and energy sector, transport, and industrial sectors. The target rate of industrial growth for the ninth five year plan was determined at 9.7 percent. The rate of growth of exports was targetted at 20 percent. Efforts were made to industrialise the backward regions, to makde domestic industries more competitive in the international market and to increase the facilities for transport and communication. Importance was given to adoption of high technology in small-scale industries and enhancing their productive capacity. Sectors like Mining, gas, financial services, transport and communications, Power were expected to progress substantially during the ninth five year plan. The responsibility for industrial growth and progress mainly centred on the private sector. It was clarified that quantum of public sector investment would be lowered substantially.

Tenth Five Year Plan (2002-2007)

It was expected during the tenth five year plan that Indian industry would have to face much stiffer competition due to the removal of quantitative restrictions in 2001. The role of the public sector relative to the private sector was expected to to decline. The tenth plan therefore, focussed on creating an industrial policy environment in which private sector companies can become efficient and competitive. In the light of the announcement by the government of its intent o bring down tariff levels on imports, it was considered important by the planners to take adequate safeguards againest dumping and to provide level-playing field to the industry. The plan also emphasised to extend reforms to the state level so that cumbersome regulatory problems are removed. The tenth plan also sought to boost the small-scale sector.

The development strategy of the tenth plan was to liberalise and privatise and to give more space to the private sector to expand its activities. The tenth plan failed to achieve its target annual growth rate of 10%. The annual growth rate attained in the industrial sector was 8.2%.

The Eleventh Five Year Plan (2007-12)

The eleventh five year plan emphasized 'Towards faster and more indusive. growth." According to the eleventh plan document the industrial sector had responded well to the growing competition in the International Economy.

The Eleventh Five year plan intended to improve the growth rate of industry from 8.90% in the Tenth plan to 10.11%. The emphasis was placed on the development of the core sectors like steel, coal, cement, oil. The Eleventh five year plan allocated Rs. 153600 Crores for the industry. The actual industrial growth during the Eleventh five year plan stood at 7.2%. The slowdown in industrial grouth was due to various factors like global slowdown, fluctuations in international prices, strong inflationary pressures. The eleventh plan also sought to boost the special economic zones and special economic regions. The eleventh five year plan also recognised the importance of technological modernisation through foreign direct investment route. The plan document also underlined the need to reform Indias Labour Laws.

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