International Research Journal of Education and Technology
Peer Reviewed Journal
ISSN 2581-7795

The Growth of Industrial sector in India during pre and post reform period

Dr.Gangaraju S

Assistant Professor

Department of Economics

Governmenrnt First Grade College Baada,Kumta

Introduction

The Economic development and industrialization have become so closely integrated with each other that progress of an economy is now accessed from the success it has achieved in transformation from agricultural set up into an industrial set up. Through industrialization a situation is created whereby many industries are set up rapidly and ultimately backward areas are converted into economically developed areas and backward economies into developed economies. Industrialization, in fact is a composite term which involves a number of structural changes such as changes in the production techniques, factor intensities, industrial employment and output. Industrialization supports all sectors of the economy by skillfully organizing business enterprises, application of science and technology, channelizing specialized labor along with the division of labor, ever increasing role of electrical, electronic and computer application to achieve efficient activity etc. In this way industrialization is not only a way to increase output or national income but is a means of introducing modern technology and changing ways of life and finally the structure of the economy because of its self-reinforcing quality. But all this can be achieved only through well-planned industrial policy. The industrial polity provides direction to the pace of industrialization and industrial development. Hence, to industrialize the country, India also framed industrial policy which was amended, modified and reoriented suiting to the changing times. The comprehensive industrial sector which including Manufacturing, Construction, Electricity, Gas and Water supplies, annual growth rates was to be 6.9 percent in 1990-91 as compared to -0.1 percent negative growth in 1991-92 Indian economy faced lot of uncertainties in mid 1991- Inflation was reached double digit of 13.6 percent, shortage of foreign currency and 8.4 percent fiscal deficit problem among these economic crisis situation at 1991-92 government was taken significant decision of Economic liberalization, integration of our economy with global economy such policies given big boost to the Indian economy. There was 3.6 percent growth recorded in 1992-93 further Industrial growth rates tremendously increase year by year and growth rate peaked double digit of 12 percent at 1995-96. GNP annual growth rates was third round estimates to be 10.6 percent in 2018-19 as compared to 6.3percent provisional estimates growth in 2019-20. The overall Gross National Income of India was 19881742 crore in 2019-20 service sector contributed about 57 percent to GNP and the second highest Industrial sector contributed about 29 percent share to GNP. In this paper I have to effort that studied the developments of Industries in last two decades and what are the importance of Gross capital formation, Bank credit, FDI, and Primary market in providing finance to the development of Indian industrial sector.

Glance of Industrial Production in pre reform period

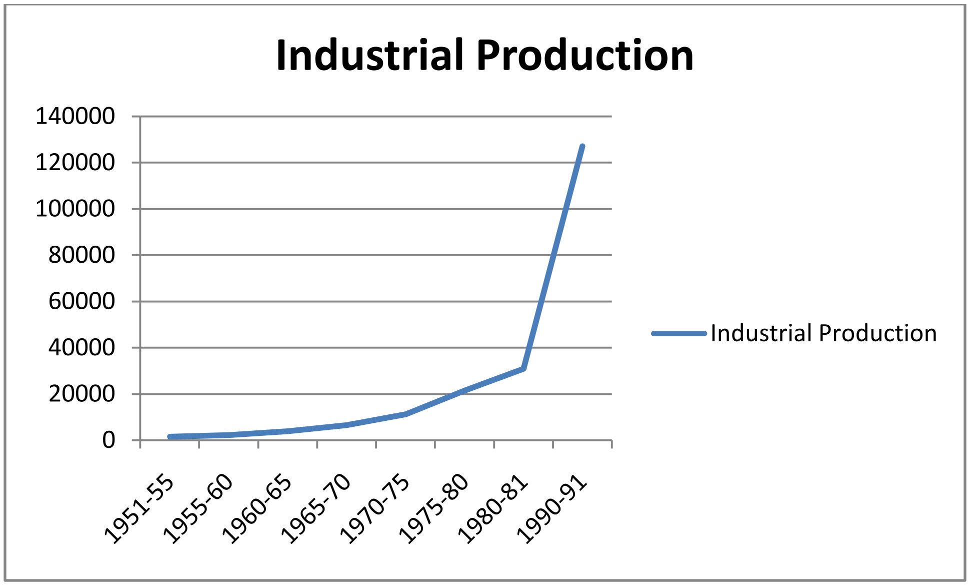
During the pre-British period, India was an industrially advanced country. it was more advanced in this respect as compared with west European countries. But with the advent of British rule in India industries were systematically destroyed by British rulers. Industrial revolution in England and the trade policy followed by British rulers offered a huge blow to the traditional Indian industries. Hence time of independence, India got a very weak industrial base. Since independence, India was trying to build up sound industrial base. The First Industrial Policy resolution in 1948 was followed by the Industrial Policy Resolution of 1956. The Industrial Policy Resolution of 1956 gave direction to the development of industry till 1973 which resulted in sound base of industrial development in the country. After 1973 the Industrial Policy was amended in 1977 with the objective of accelerating the pace of industrial growth, increasing productivity and income of industrial workers, promoting technological self-reliance and increase in the level of employment. After 1977, several amendments were made to the industrial policy, but the major landmark change came in 1991 when New Industrial Policy as part of New Economic Policy was introduced. The path for industrial development was laid since political independence in India. The industrial policy resolution of 1948 strengthened the mixed economy in India giving equal importance to public and private industries. The five year plans in India gave much thrust for industrial development. Second five year plan gave major impetus to industrial growth. The second five year plan accorded major priority for industrial development. The expenditure on industry and minerals was increased to Rs. 938 crore under this plan which was 20.1 per cent of the total expenditure of Rs.4672 crore. Based on Mahalanobis Model, the second plan set out the task of establishing basic and capital goods industries on a large scale so that a strong base for industrial development in the future could be built. The strategy was spelt out in the plan 'if industrialization is to be rapid enough, the country must aim at developing basic industries and industries which make machines to make the machines needed for further development, These calls for substantial expansion in iron and steel, non-ferrous metals, coal, cement, heavy chemicals and other industries of basic importance.' Accordingly, such industries were given top priority in the industrial sector. Three steel plants were set up in the public sector at Bhilai, Rourkela and Durgapur besides the expansion and modernization programmes undertaken in the private sector.

Table No: 1

Year	Industrial Production	Growth Rate
1951-55	1493.32	-
1955-60	2185.8	46.37
1960-65	3862.6	76.71
1965-70	6456.4	67.15
1970-75	11231	73.95
1975-80	21475.4	91.22
1980-81	30900	43.89
1990-91	127079	311.26

Source: Economic Survey

International Research Journal of Education and Technology
Peer Reviewed Journal
ISSN 2581-7795



The above table depicts of the Industrial production valued 1493.32 Crore during 1950-51 which gradually increased to 127079 crore during 1990-91. There was significant increase in terms of absolute value and growth. During 1951-55 to 1990-91, the industrial production increased by 8409%. The above chart no.1 shows the moderate upward trend in Industrial production.

Development of Industrial sector after post economic reform period

The year 1991 ushered a new era of economic liberalization. The License Control Raj was removed as several barriers to entry were removed. The system of widespread industrial licensing which required Government permission for establishment, extension, expansion, utilization of surplus capacity, was abolished. Licensing limited to small list of industries, due to strategic environmental and pollution deliberation. The corresponding but separate controls over investment and expansion by large scale industrial houses through the Monopolies and Restrictive Trade Practices (MRTP) Act have also been abolished. FERA was replaced with FEMA Companies Act was thoroughly amended to that it is simplified modernized in tune with changing time and liberalization in the background. Liberalization of trade and exchange rate policies, rationalization and reduction of customs and excise duties and personal and corporate income tax etc. Industrial sector showed signs of higher growth from 1991-92, it is explained below table.

Table No.2

Year	Industrial production in constant price (in crore)
1991-92	325150
1992-93	336716
1993-94	357237
1994-95	389903
1995-96	436863
1996-97	468146
1997-98	483585
1998-99	504485
1999-00	535730
2000-01	570571
2001-02	585971
2002-03	627374
2003-04	676833
2004-05	744755
2005-06	824272
2006-07	928626
2007-08	1023998
2008-09	1071681
2009-10	1173089
2010-11	1262722
2011-12	2373988
2012-13	2458558
2013-14	2561081
2014-15	2733213
2015-16	2993343
2016-17	3219288
2017-18	3413837
2018-19	3668368
2019-20	3600649

Source: Economic survey 2020-21

After liberalization industrial sector showed signs of gradual growth from 1991-92, to 2019-20. Amount 325150 crore in 1991-92 and moderate decrease to 3600649 crore in 2019-20 2nd round estimates by NSO, reason for slow growth are Sudden exposure to foreign competition, slowdown in investment sluggish growth in demand and exports The bottlenecks in infrastructure falling business confidence in face of global uncertainties and political factors, firm commodity prices amidst inflationary pressures, tightening of monetary conditions and weak supply response.

The important reasons for slow industrial growth are, There was Gaps between targets and achievements, Substantial underutilization of capacity, Performance of public sector was far less than satisfactory, Poor quality and high cost of infrastructure, Imbalance in regional development, Industries plagued by sickness due to bad and inefficient management, Pressure of competition due to entry of MNCs. Emerging challenges: As a founder member of the world trade organization (WTO), India has withdrawn all quantitative restrictions on imports. This is bound to result in intense competition with imports in coming years forcing a number of industrial units to close down. The pressure of competition will be particularly harsh on many small-scale units as they simply cannot withstand competition from resource rich and technologically advanced multinational companies. In fact even our large private sector companies are just pygmy's vis-à-vis MNCs and many of them also may find the going tough. As far as the basic goods and capital gods industries are concerned, they might receive a set-back as the end-use industries will now have full access to cheaper imports. Things will not be easy for the end-use industries as well as they will have to compete with foreign goods on both price and quality fronts.

Industrial Finance and Industrial Growth in India

Finance is the life blood of business. Without adequate finance industrial development is impossible possible. Due to the lack of adequate finance, industrial development in India could not attain the higher growth rate. Industries require finance for meeting their requirements of fixed capital expenditure and also to meet their working capital needs**.** The various sources from which industries meet their needs are as follows:

Good amount of finance for fixed investment (buildings, machines, etc.) comes from different types of equity or shares such as ordinary, cumulative and non-cumulative preference shares. These shares bear risks of different degrees and are tailored to suit the temperament of different investors. The latest trend is to issue shares in small denomination of ten rupees so as to enable the largest number of people to participate in providing long-term finance. The credit-worthiness of promoters as well as industries profitability brand name, determine the extent to which public invest their money in shares. In this way, industries are not burdened with interest, and therefore do not involved in complication on this account during recession or depression.

Gross Domestic Capital Formation (GDCF)

Gross domestic capital formation is important source of industrial finance. Increased capital formation will contribute to more industrial output. The Gross Capital Formation (GCF) is estimated across three types of assets, viz., as aggregate investment or Gross Domestic Capital Formation (GDCF). A Positive association is hypothesized between the capital formation and the industrial production. Industrial deregulation, privatization of state-owned enterprises, reduction in controls on foreign trade and investment, began in the early 1990's and has fostered domestic capital formation and economic growth. In 1991, when the government of India started the economic reforms programme FDI was laid red carpet. The New Industrial Policy of 1991 gave utmost priority to attract FDI inflows. In this process, the government started opening up domestic sectors to the private and foreign participation which was earlier reserved only for the public sector. This was followed by slow but with significant relaxation of regulatory and entry restrictions on FDI inflows.

Foreign Direct Investment

Foreign investment can be classified as foreign direct investment (FDI) and foreign portfolio investment. International investment in financial assets such as shares, debentures and bonds, is called portfolio investment. Foreign investment in real assets is called foreign direct investment (FDI). Multinational corporations (MNC s) are the chief source of FDI in real assets. Real assets consist of physical things such as factories, land, capital goods, infrastructure and inventories. Multinational may collaborate in joint ventures with host country enterprises or may have fully owned subsidiaries in host countries. FDI is welcomed as it brings in capital technology, technical knowhow and create more employment etc.In absolute terms the FDI inflows to the industrial sector in India has kept on increasing year after year. In 1991, when the government of India started the economic reforms programme, FDI was laid red carpet. The New Industrial Policy of 1991 gave utmost priority to attract FDI inflows. In this process, the government started opening up domestic sectors to the private and foreign participation which was earlier reserved only for the public sector. This was followed by slow but with significant relaxation of regulatory and entry restrictions on FDI inflows.

Capital raised in Primary Market

Capital market constitutes primary (new issues market) and secondary (stock) market. The primary market helps the public and private sector companies in raising finance mainly for new projects, expansion, modernization, acquisition etc. The secondary market provides liquidity for the financial instruments (equity, preference shares and debentures/bonds) through adequate marketability and price continuity. The array of financial institutions also have played crucial role in meeting long-term credit needs of the industrial sector.

Banks are the dominant financial intermediaries in developing countries including India bank credit is considered as an important source of industrial finance. The dependence on bank for finance could vary according to the size of the companies. The small-scale industrial units have increased their dependence on banks for loans because they have virtually no access to the capital markets. Recession which had its genesis in USA in 2007-08 spread to the entire world. Though, India was not affected seriously. It suffered from lack of demand, decline in exports and withdrawal of FIIs from Indian stock market. During Recession industrial growth as it suffered from the depressed demand condition in its export market as well as from suppressed domestic demand due to the slow generation of employment.

CONCLUSION

Development of Industrial sector was satisfactory after liberalization Gross domestic capital formation and bank credit are important industrial resource and it helped to build a strong industrial base. In 1965-80 there was industrial decoration and structural retrogression resulted in Industrial setback. At 1981-91 was period of industrial recovery. After 1991- onwards is the period of restricting the Indian industries to the tune of new economy reforms. Though there was covid 19 effect sluggish growth industries, the Indian industries is gradually gearing up to fall the competition of the rest of world.

Bibliography

1. Isher Judge Ahluwalia(1986) “Industrial growth in India: Performance and Prospects”Journal of Economic Development volume 23.
2. Krishna Reddy Chittedi(2007) “Industrial growth in India during pre and Post reform period”International Journal of Humanities and social science Kenya University Kenya Vol 4 No.2
3. Suresh Babu(2011) “trends in regional industrial growth in India”. Journal of Indian Business Research
4. Bimal Jalan(2004) “Indian Economy problems and prospects ”.Kindly Edition
5. Veeramani C and Nagaraj R(2016)“International Trade and Industrial development In India” Paper back
6. Amartya Sen(1999)“Employment Technology and Development”Oxford India Paperback

7. Dr. Amanat Bhullar and Dr. Parminder Singh (2019) “Economic reforms and Productivity Analysis: A Case of Indian Small scale Industrial Sector”.
8. Kaustubh N. Misra(2008)“Agro Industrial Development in India Developing Economy”.
9. Pr.Raghbendra Jha(2008) “The Indian Economy Sixty Years After Independence”.
10. Jay Ganesh Tripathi(2014)“Study of India’s paper Industry-Potential and Growth in 21st century”.Indian Journal of applied Research Vol.4
11. Kalpana SahooNarayan Sethi(2012) “Investigating the Impact of Agriculture and Industrial Sector on Economic Growth of India International Journal of Sustainable development Vol.5
12. Dr. subir Gokarn,Anindya Sen,Rajendra Vaidya(2003) “the Structure of Indian Indusrry”. Oxford
13. Uma Kapila(2019) “Indian Economy since Independence: A Comprehensive and crital analysis of India’s Economy,1947-2018 29th edition
14. V.K. Puri and S.K Misra(2019) “Indian Economy” Himalaya Publishing House
15. Bilgrami S.A.R(2002), “towards Globalization of Indian economy: Opportunities and challenges”
16. Bajpai, Chaubeyet.al(2002), “ost reforms leading issues of Indian Economy’, Atlantic Publisher and distributers, New Delhi vol.1
17. Isher Judge Ahluwalia(1986) “Industrial growth in India: Performance and Prospects”Journal of Economic Development volume 23.
18. Krishna Reddy Chittedi(2007) “Industrial growth in India during pre and Post reform period”International Journal of Humanities and social science Kenya University Kenya Vol 4 No.2
19. Suresh Babu(2011) “trends in regional industrial growth in India”. Journal of Indian Business Research