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INDUSTRIAL DEVELOPMENT IN INDIA FROM INDEPENDENCE TILL NOW

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Abstract -

Industrial development is a very important aspect of any economy. It creates employment, promotes research and development, leads to modernization and ultimately makes the economy self-sufficient. In fact, industrial development even boosts other sectors of the economy like the agricultural sector (new farming technology) and the service sector. It is also closely related to the development of trade. But just after independence India's industrial sector was in very poor condition. It only contributed about 11.8% to the national GDP. The output and productivity were very low. We were also technologically backward. There were only two established industries - cotton and jute. So, it became clear that there needed to be an emphasis on industrial development and increasing the variety of industries in our industrial sector. And so, the government formed our industrial policies accordingly and the result of the government efforts can be seen now as the industrial sector contributes 25.92% to the GDP of the country.

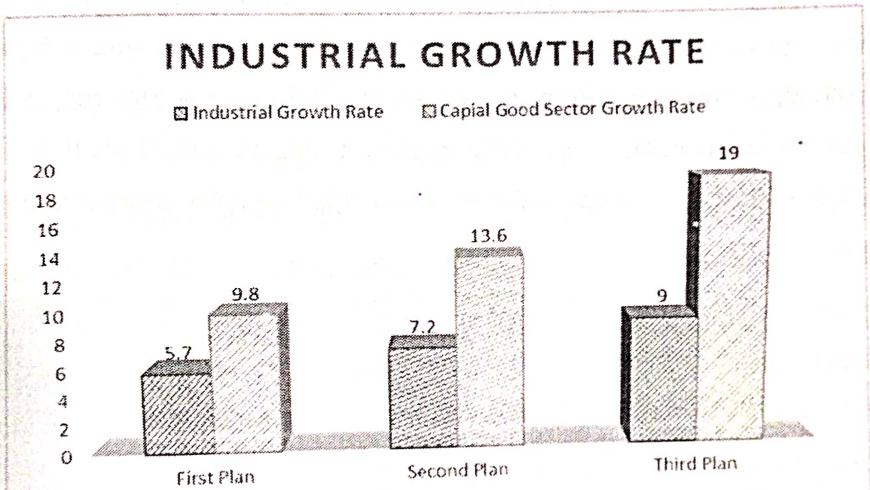
Key Words - Employment, Modernization, Service sector, Gross Domestic Product, Productivity.

Industrialisation during the British Rule -

Indian Industry had a global presence before the advent of Britishers in India. Before the advent of British in India, India accounted for a quarter of World's Industrial output.The exports from India consisted of manufacturers goods like cotton, silk, artistic ware, silk and woolencloth. The impact of British Policies and the Industrial Revolution led to the decay of Indian handicraftindustry. Post-Industrial revolution in Britain, machine-made goods starting flooding into the Indian markets. The decline of traditional handicraft was not followed by the rise of modern Industrialisation in India due to the British policy of encouraging the imports of British made goods and exports of raw materials from India.

The First Phase (1950-1965): Industrial Sector at the Time of Independence-

There were majority of consumer goods industries vis-à-vis producer goods/ capital goods industries resulting in lopsided industrial development. The ratio of consumer goods industries to producer good/capital goods industry was 62:38 during the early 1950s.The Industrial sector was extremely underdeveloped with very weak infrastructure. The lack of government support to the industrial sector was considered as an important cause of underdevelopment. The structure and concentration of ownership of the industries were in few hands. Technical and Managerial skills were in short supply. The Second Five-Year plan accorded highest priority to Industrialisation. The plan was based on famous Mahalanobis model. Mahalanobis model set out the task of establishing basic and capital goods industries on a large scale to create a strong base for the industrial development. The plan includes substantial investment in the Iron and Steel, Coal, Heavy engineering, Machine building, Heavy Chemicals and Cement Industries of basic importance. The period witnessed an increase in growth rate from 5.7% to 7.2% and ultimately 9.0% in the first, second and third plans respectively.



SOURCE: GOVERNMENT OF INDIA, HANDBOOK OF INDUSTRIAL STATISTICS

The Second Phase (1965-1980): The Period of Industrial Deceleration -

The first three five-year plans mostly focused on the development of the Capital Good sector. As a result, the consumer goods sector was left neglected. The consumer goods sector also known as wage good sector is considered to be the backbone of the rural economy and its complete neglect had resulted in fall in the growth rate of industrial

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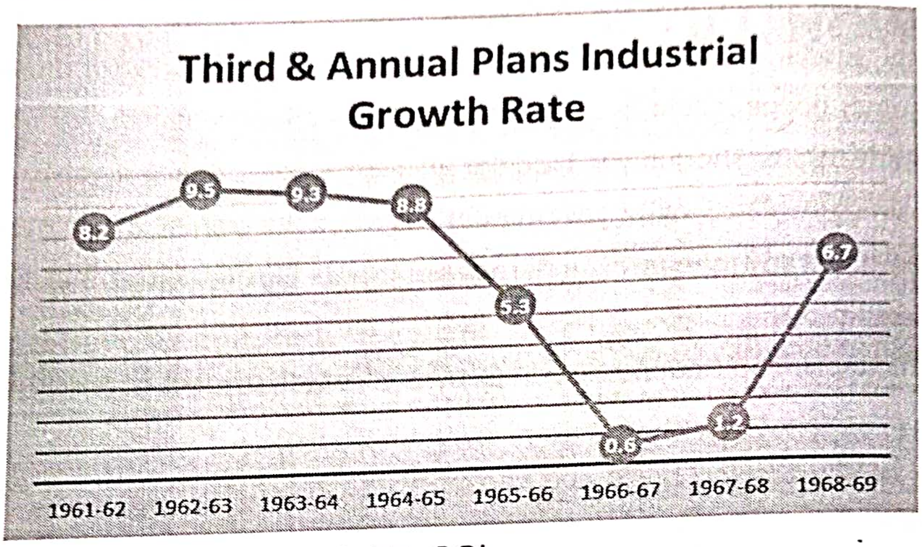
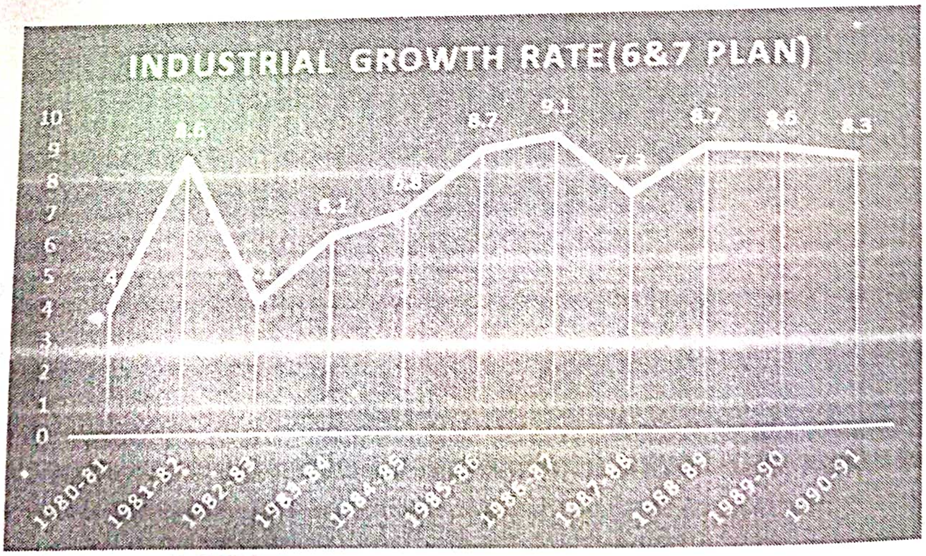
production as well as of the overall economy.



SOURCE: MINISTRY OF COMMERCE, GOI.

Phase Three (1980-1991): Industrial Recovery -

The period of the 1980s can be considered as the period of the Industrial recovery. The period saw a revival in the industrial growth rates. The period witnessed an industrial growth rate of more than 6 percent during the sixth plan and 8.5 percent during the seventh plan. The period was also marked by a significant recovery in the manufacturing and capital good sector. The most important observation from the revival of industrial sector was that the revival is closely associated with the increase in the productivity of Indian Industries.

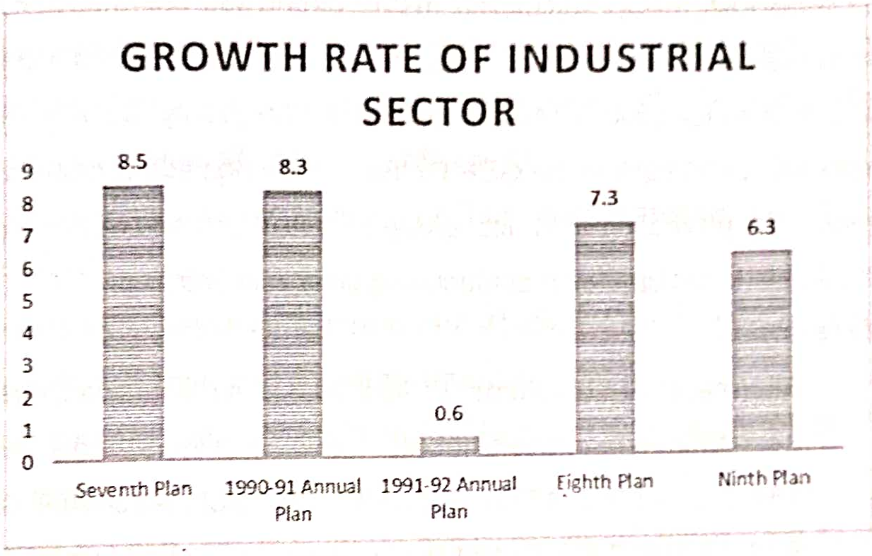


SOURCE: MINISTRY OF COMMERCE, GOI.

Phase Four (Post Reform Period) -

The year 1991 ushered a new era of economic liberalisation. India took major liberalisation decision to improve the performance of the industrial sector.Abolishment of the Industrial Licensing, Simplification of the procedures and regulatory requirementto start a business.

The average annual growth rate of the industry which was close to 8% in the post-reform period fell to 6% in the 1990s.Further, the sector witnessed its worst ever performance in the last few years of the Ninth plan with growth collapsing to just 2 percent.



Source: Ministry of Commerce, GOI

DEVELOPMENT OF INDUSTRIAL SECTOR IN 20th CENTUERY-

Industrial policies in India have taken a shift from predominantly Socialistic pattern in 1956 to Capitalistic since 1991.India now has a much-liberalised industrial policy regime focusing on increased foreign investment and lesser regulations.India ranked 77th on World Bank's Doing Business Report 2018. Reforms related to insolvency resolution (Bankruptcy and Insolvency Act, 2017) and the Goods and Services Taxes (GST) are impressive and will result in long-term gains for the industrial sector.Campaigns such as Make in India and Start up India have helped to enhance the business ecosystem in the country.However, electricity shortages and high prices, credit constraints, high unit labour costs due to labour regulations, political interference and other regulatory burdens continue to remain challenges for firm growth of the industrial sector in India, however with government incentives and efforts and with introduction of new Industrial Policy boost is provided to the manufacturing sector in the country.

Now India had become the major exporting as well as manufacturing hub in various sectors like agriculture and allied industries, automobiles, auto components, aviationbanking, biotechnology , cementchemicals, consumer, durables, defence manufacturing, e-commerce, education and training, electronics system design & manufacturing engineering and capital good, financial services, gems and jewellery, health care infrastructure, insuranceit & bpm, manufacturing, media and entertainment, medical devices, metals and mining, msme, oil and gas, pharmaceutical, sports, power, railwaysreal estate, renewable energy, retail, road, sscience and technology ,services, steel, telecommunications, textiles, tourism and hospitality. And also, industrial sector is contributing to 25.92% to the GDP Of the country and this contribution can further be increased by promoting start-ups, giving infrastructure and allowing global giants like Tesla, Apple to set up their manufacturing units in country.

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