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INDUSTRIAL DEVELOPMENT IN INDIA

–H. Srikanth

The path that industrial development in India took was influenced by many internal and external factors. Hence, in the absence of a clear-cut understanding of many related aspects such as nature of the economic development during the colonial era, character of the anti-colonial movement and aspirations and potentialities of the new classes that came to power after Independence, it is not possible to account fully for the dramatic changes that started taking place in Indian industry, especially in recent years. Keeping these aspects in mind, an attempt is made in this paper to give a comprehensive picture of the industrial development that has taken place in India by analysing the policies, problems and performance of the Indian industry.

I. Industrial Development : Colonial Era

When India was a colony of Great Britain, the British government introduced many fundamental changes in the Indian economy to facilitate its exploitation. Though the colonisers had no desire to industrialise India, in their own interest, they had to build railways, establish a few industries here and there and initiate commercialization of certain agricultural products. The inability of the British to control all activities pertaining to trade and other business compelled them to create a subservient class of clerks and bureaucrats who would act as their agents. Some of the Indians utilised the business opportunities thrown open to them and began their career as traders subservient to British interests. But unlike their Chinese counterparts who remained comprador throughout, the Indian traders did not totally ignore their Indian identity. Alongside the British trade associations, many Indian trade associations were formed in the 19th century itself. Again, unlike the Chinese bourgeoisie, Indian businessmen did not confine themselves to mere trade and commerce. From the last quarter of 19th century Indians gradually started entering the industrial field. To promote their interests

they even organised themselves into associations such as the Bombay Mill Owners Association (1875) and the Ahmedabad Mill Owners Association (1891). The economic nationalism that shook the country during the Swadeshi Movement gave an impetus to many nationlist-minded Indians to start their own industries.

In the absence of any encouragement from the State, the Indian industrialists had to face many difficulties during the initial years. The British government which used to behave in a *laissez faire* economy paid little attention to the demands of Indian businessmen to protect the native industry. However, after the First World War, the British government was forced to revise its economic policy. The fear of foreign domination of the Indian market compelled the British government to give certain concessions to the native industry. The tariff protection they introduced played an important role in promoting industrial development in India.[1]

Despite several set backs, especially during the period of the Great Depression, the Indian entrepreneurs made considerable progress. Many factories were started by the Indians in different parts of the country. Their progress can be seen from the fact that whereas the number of the British group companies increased from 787 in 1931 to 798 in 1937, the number of Indian group companies during the same period increased from 172 to 366. Indian cotton textile companies increased from sixty-four to eighty; sugar factories from one to twenty; iron, steel and engineering units from two to seven; electrical generation companies from six to twenty-two; and investment and finance companies from fifteen to fiftyone.[2] For the growing need of industrial finance and the indifferent attitude of the British government compelled Indians to start their own banks and insurance companies.

At this level, it may be noted that the nature of capitalist development in India radically differed from that of the advanced capitalist countries. Since capitalism started developing in India at a stage when capitalism as a world system had already reached the stage of imperialism, the *laissez faire* model of development became obsolete in India. Therefore within a short period, indigenous capitalism started exhibiting monopolist tendencies. The need to compete with the British and other foreign firms forced Indian businessmen to form cartels and trusts. Periodic failure of Banks and industrial crisis made them understand the need to pool their resources. The British government also indirectly encouraged the development of monopolies for their own administrative convenience. The managing agency system also considerably contributed to the concentration of capital.[3] Many of the leading companies took advantage of their superior strength and coerced the smaller ones into submission or sometimes even eliminated them from competition. In some cases, by possessing minimum holding shares certain industrial houses controlled many companies. For example, the Tatas were controlling TISCO, BEST, Tata Hydro Power, Calcutta Electrical Supply, Andhra Valley Project and others. Some of the early business organisations such as the Indian Jute Mills Association, Sugar

Syndicate, Cement Marketing Company of India and Associated Cement Companies (ACC) worked on the lines of cartels or trusts. As a result of such a process of development, some of the leading businessmen emerged as controllers of monopolies even before the dawn of independence.

During the initial years of development, the Indian capitalist class did not actively participate in the nationalist struggle initiated by the nationlist intelligentsia. However, once it consolidated its position, it began to play an active role in the freedom struggle and by the mid-thirties it became the most influential class on the anti-imperialist front. As the Indian communists failed to take leadership of the anti-imperialist movement, the capitalist class could easily exercise its hegemony over the Indian National Congress and became the decisive factor, at the time of the transfer of power. Being the most organised self conscious class of that epoch, naturally the capitalist class could take over state power once British rule ended.

II. The New Ruling Classes

Though its relative supremacy gave an opportunity for the bourgeois to attain political power, its position vis-a-vis the other classes was not very comfortable at the time of independence. Rural society was still dominated by semi-feudal relations of production. Foreign capital still had greater hold on Indian industry. Despite the progress that it had made during the Second World War, Indian industry as such was yet to gain ascendency over the traditional sectors. In 1948, the share of Indian industry in national income was only 17 per cent while that of agriculture was 40 per cent. Even here, the share of organised industry was only one-fifth of the total. In 1951 only 13 per cent of the working population was in industry whereas 73 per cent remained in agriculture. The average income of the capitalists was not far above the average income of other powerful groups. Basic infrastructure necessary for the development of industry was very weak. The private sector did not have the ability to undertake any large-scale industrialization on its own, particularly in the basic industries. The capitalists did not have enough finance, technology and expertise to establish large-scale industries which needed long gestation periods.

The Indian bourgeois and its political representatives were not unaware of their weaknesses. Hence, even before independence they sought to give general guidelines for planned economic development to be implemented in independent India. Both the National Planning Committee set up by the Indian National Congress and the Bombay Plan prepared by the leading Indian industrialists realised the necessity of active participation of the state in promoting Indian industry. State ownership and State management of the key sectors were accepted by both of them. To them any state intervention was welcome so long as it did not aim at any radical changes in the relations of production. Such a state sector or state regulation was seen only as an instrument for promoting industrial development in India.

Accordingly, when independence was achieved, the government initiated the policy of a mixed economy, encouraging both private and public sectors at the same time. The Industrial Policy Resolution of 1948 classified industries into three categories. The first group included strategic industries; for example, arms and ammunition, atomic energy, railways etc. The second group included industries like coal, iron and steel, air and wireless apparatus etc., where the existing private concerns would be allowed to operate but the establishment of new concerns would be the responsibility of the state. The last group included remaining industries, where the private entrepreneurs would be allowed to operate subject to government regulations and control.

In the wake of the Second Five Year Plan which intended to industrialise the country by establishing heavy industries in the state sector, a modified industrial policy resolution was adopted in 1956. According to it there would be three categories of industries: (1) industries, the further development of which would be the exclusive concern of the state: defence, telephones, telegraphs, wireless, heavy plants and machinery, generation and distribution of electricity etc., (2) industries which would be progressively state owned but in which private enterprises would continue to operate: machine tools, fertilisers, synthetic rubber, road transport, sea transport, ferrous alloys and tools etc. and (3) other remaining industries left to the initiative of the private sectors.

In the light of these policy resolutions, the government has enacted many laws promoting and regulating industrial development in India. In order to use the scarce resources in a planned way and to initiate simultaneous development of all sectors of industry, many acts such as Industries (Development and Regulation) Act 1951, Essential Commodities Act (1955), Companies Act (1956), Monopolies and Restrictive Trade Practices Act (1970) and Foreign Exchange Regulations Act (1971) were enacted by the government. By establishing the basic industries and by widening transport and market facilities, the necessary infrastructure has been created for promoting Indian industry. Tariff walls are built around the country to assure a protective market to Indian industry. The development of Indian industry since 1947 took place within these broad parameters set by the post-colonial state.[4]

III. Industrial Progress Since Independence

As a result of fourty years of planned development, indigenous capitalist development could take deeper roots in Indian economy. Though dependence on foreign countries still continues, India could become nearly self-sufficient in many essential fields. In 1986-87, there were 1,74,793 factories employing 7.1 million workers. These factories, whose productive capital was above 57 thousand crores, produced output worth Rs. 1,18,869 crores.[5] The generation of power showed a phenomenal rate of growth both qualitatively and quantitatively. The installed capacity of power generation increased from 1632 MW in 1947 to about 64,000 MW in 1990, an increase of about 47 times. At present the production

of crude oil is around 32 million tonnes a year and refinery output over 50 million tonnes. Gas production is around 11.5 million cubic meters a year. Thermal and hydro power still constitute major sources of power. Since 1950 electricity generation in India increased at the rate of 10 per cent per annum. The electricity generation in 1990-91 was around 260 million units. However, it should be said that this moderate growth is still not sufficient to meet the growing needs of the economy.

During the plan period production in basic as well as consumer industries increased considerably. In 1951 there were only five iron and steel factories involving an investment of Rs. 29 crores. But by 1984-85, their number increased to 221, involving investment Rs. 42,811 crores. Production of pig iron increased from 1.7 million tonnes in 1951 to 9.5 million tonnes in 1990-91. During this period production of finished steel increased from 1.1 million tonnes to 13.4 million tonnes. In 1950-51 India was producing only 2.2 million tonnes of cement though it had an installed capacity of 3.3 million tonnes. But by 1989-90, with 96 factories cement production increased to 45.6 million tonnes. India's textile spinning industry is among the three largest of its kind in the world, the other two being China and the U.S.A. In 1990, the total spindleage stood at over 26 million tonnes. Production of cotton cloth increased from 37,273 meters in 1951 to 120,434 lakh meters in 1987-88. Similarly production of paper increased from one lakh tonnes in 1950 to 19.4 tonnes in 1990. Imports placed at 20,000 tonnes, now account for less than one per cent of the domestic consumption. At present there are over 325 units with a total installed capacity of 33 lakhs tonnes of paper. Likewise automobile industry also achieved commendable progress in India. At present there are 13 units licensed to manufacture light, medium and heavy duty commercial vehicles. The total motor vehicle population in India increased from three lakhs in 1951 to 88 lakhs in 1985, with 12 lakh vehicles of all types being manufactured every year in India. Now India has a well diversified production base in the engineering sector with an estimated investment of Rs. 51,000 crores. India has also achieved a name in the world market as a producer and exporter of machine tools. Over three-fourths of the machine tool requirements of the country is met by the indigenous production. Today the Indian machine tool industry produces the entire range of general purpose and standard machines and machine tools. The value of production of machine tools in India increased from Rs.30 lakhs in 1950-51 to around Rs.600 crores in 1990. In addition to pioneering industries, like Hindustan Machine Tools (HMT) and Praga Tools Ltd. there are about 150 units engaged in the manufacture of machine tools.

Similarly India has shown considerable progress in chemical, fertilizer and pharmaceutical fields. With a whopping annual sales turnover of around Rs.40,000 crores in 1989-90, the Indian chemical industry in the organised sector is now capable of manufacturing a wide variety of chemicals. As of 1985-86, there are more than six thousand chemical industries involving a capital investment of Rs.12,800 crores. The progress shown by the drugs and pharmaceutical industries

is also spectacular. It is now capable of producing 95 per cent of essential drugs which include anti-biotics, synthetic drugs, glandular products, phyto-chemicals, corticosteroids, anti-cancer drugs and immunological agents. These industries are now emerging as exporters of technology to many developing nations. Likewise, the fertilizer industry also showed significant progress during the plan period. Currently the total investment in fertilizer industry is around Rs.9,300 crores. Production of fertilizers increased from 1.6 lakh tonnes in 1960-61 to 81.48 lakh tonnes by the end of 1988-89. Nitrogenous fertilizer production increased by nearly 260 times in the last 41 years to 6.7 million tonnes per annum. The number of plants has registered a twelve fold increase during the plan period. Twenty years ago nearly 50 per cent of its internal demand was met from imports. But now the fertilizer industry is in a position to meet 80 per cent of internal demand.

Finally one may mention the fast growing electronic industry in India. From just Rs. 687 crores at the end of Fifth Plan (1979-80), the annual turnover leaped to Rs.2081 crores at the end of the Sixth Plan (1989-90). The export of all kinds of electronic items crossed Rs. 900 crores. At present there are more than 500 units making electronic components with an investment of Rs. 1500 crores. Of all the electronic items, consumer electronics have made considerable progress, especially during the last decade. The manufacture of B & W TVs increased from 16,000 in 1971 to 35 lakhs in 1989-90. With the advent of colour transmission in 1982, a plethora of manufacturers and brands entered the market and the number of colour TVs increased from 16,000 in 1981 to 15 lakhs in 1986. Production of many other capital and consumer goods also showed similar progress during the plan period.[6]

IV. Development of Industrial Technology

Such an impressive growth in industrial production is inconceivable without corresponding development in the fields of science and technology. With 39 research laboratories or institutes and over 100 regional centres, the Council of Scientific and Industrial Research (CSIR) directs the R & D activities in India. Institutions such as Tata Institutes of Fundamental Research, Birla Institute of Technology, Indian Institutes of Technology and various laboratories and R & D wings attached to major industrial houses in India provide scientific and technological support to the Indian industry. Being a Third World nation, it would be difficult for India to accomplish major breakthroughs in fundamental research. Yet with the help of technological collaborations many sectors in Indian industry learnt to fabricate, design and adopt advanced technologies to Indian conditions. Though a detailed analysis of the status of science and technology is not within the purview of this paper, one may indeed take note of certain significant achievements in industrial technology.

At the beginning, one may mention the power sector in India which has witnessed several technological developments such as the installation of large sized units of 500 MW, high voltage direct current transmission and gas based

generation. The Indian power systems now rank next only to Japan and China in Asia. In addition to exploiting hydal and thermal sources of energy, India is now making efforts to produce power from nuclear resources. Technological developments in India's nuclear industry is one field where India can be proud of its achievements. The first nuclear research reactors and power plants were either imported or fabricated by the Department of Atomic Energy with the help of foreign knowhow. India's role was then limited to being sub-contractors for site work. From that position, India gradually reached a stage where it can fabricate, design and manufacture even critical components. The recently commissioned Narora Atomic Power Station marks the culmination of the attainment of total indigenous capability in the design, construction and operation of pressurise heavy water reactors. The power station with twin 220 MW units of PHWRs uses fuel fabricated in India from natural uranium mined in the country and heavy water produced in India as moderator and coolant. The foreign exchange component in it is only 10 per cent of its cost and is mostly for the import of special materials and equipment. India could step into the corridors of the world nuclear club without the backing of any superpower; or to put it differently, despite severe opposition from the USA and its allies. Gradual depletion of fossil reserves and periodic crisis in the Gulf compel India to explore alternative sources of energy. It is here that the progress achieved in nuclear technology gains practical significance. At present only three per cent of energy needs are met by the nuclear sources. However, efforts are being made to see that at least 10 per cent of the energy requirements are met by the nuclear plantations by the end of the century.

In addition to nuclear power, efforts are being initiated to tap energy from solar and wind resources. The total installed capacity for solar electrical systems is now around 5 MW comprising about 3 MW for street lights and the rest distributed among other applications such as domestic lighting, power for community TV sets, railways, synthetic lamps, water pumpings and power packs for defence and even rural telecommunication systems. Wind energy is another economically viable alternative in the power sector. The potential for tapping wind energy in India is placed around 20,000 MW. Out of this enormous wind potential in the country only a fraction, say 40 MW of wind energy is being harnessed. In wind energy utilisation Tamil Nadu and Gujarat account for the major share. The Natural Energy Processing Company (now NEPC - MECON Ltd.) of Madras has contributed much towards wind energy development in Tamil Nadu. After entering into collaboration with MECON A/S of Denmark, NEPC became one of the pioneers in wind energy system. Yet it should be said that though there exists considerable potentiality to tap solar and wind energy, not much progress could be done in developing relevant technologies in these fields due to limited budgetary allocations and lack of official encouragement.[7]

Notwithstanding the fact that India is far behind other newly industrialised nations like South Korea and Singapore, Indian electronic industry could make significant progress in the last two decades. In addition to consumer and industrial

electronics, Indian industry could make dent into communication, medical, strategic and computer electronics. Currently there is a marked improvement in infrastructural facilities for testing, quality control and research in this field. The industry today is capable of meeting the most stringent demands of the world market. There is considerable indigenisation of components in the audio-industry. But in case of TVs, videos and computers, India still depends heavily on critical equipment from abroad. This aspect, however, does not negate significant contributions made by electronic and related industries Like BHEL, BEL, Larsen and Toubro, Kirloskar, Nelco, NGER, ECIL, BPL and Videocon.

The Engineering industry is yet another area where India is getting international recognition. The leading manufacturing organisations and research institutions are carrying out research programmes on development of engineering sciences. The Confederation of Engineering Industries (CEI) emerged as a pioneer agency providing technological backup to different kinds of industries. For example, in recent years the engineering industry learnt to design, fabricate and supply heavy equipment necessary for fertilizer and electrical industries. Indian engineers designed special heat exchangers for efficient heat transfer in slurries and viscious fluids. Now India has the capabilities to manufacture gas cracker plants including critical equipment like USX/TLX tear exchangers and pyrolysis heaters. Recently Indian Petro-chemicals Ltd. (IPCL) entered into an agreement with General Electric Plastics of Netherlands to start ambitious engineering plastics project whose cost is estimated to be around Rs.800 crores. The R & D section of the IPCL proved its ability to make standard petro-chemical catalysts which a very few multinationals are capable of making; Similarly textile component industry in India produces high quality machinery and components of international standard. They help Indian textile industry in reducing energy consumption and improving yarn quality. The Hindustan Machine Tools (HMT) is working on development of control systems for NC/CNC machine tools, use of lasers in metal cutting and new techniques of metal forming. Central Machine Tools Institute is carrying out research in robotics, flexible manufacturing systems, laser beam machinery and precision engineering. The Automobile Research Association of India is undertaking research projects in automotive emissions, automobile safety, advanced engines development, computer aided engineering of automobiles, fatigue failures and track evaluation of vehicles.[8] To sum up, one may say that inspite of it being a developing nation, India has partly succeeded in indigenising and adopting the advanced technologies to suit the Indian industry. India's success in this field can be assessed from the fact that now many of the Indian firms are exporting Indian technology to many Third World countries.

V. Development of the Public Sector

Without a strong state capitalist sector such an impressive progress of Indian industry could not have been possible.

Following the path of mixed economy, the public sector, accepted itself

the responsibility of creating an infrastructural base for industry. Since the Second Five Year Plan massive investments have been made to develop the public sector.

Table 1: Public Sector at a Glance

Sl. No.	*Particulars*	*Unit*	*1980-81*	*1987-88*
1.	No. of Enterprises	Nos.	168	221
2.	Capital employed	Rs. in billions	182.07	581.25
3.	Gross sales	"	286.35	813.67
4.	Gross profit	"	14.13	71.13
5.	Net profit/Loss	"	2.03	21.52
6.	Value added by manufacturing sector	"	22.17	42.52
7.	Export earnings	"	2.67	9.79
8.	No. of employees	Nos. in millions	1.84	2.22

Source : Public Enterprises Survey, Bureau of Public Enterprises, Various years.

In name of 'Socialism', the public sector created an essential industrial base in the areas of defence, public utilities, shipping, trade, tourism and many other priority areas. From only five enterprises in 1951, number of public sector companies increased to 244 in March 1990. Now they employ around 20 lakh workers. The total capital investment employed in operating Central public sector units stood at Rs. 99,315 crores. The total net profitability was Rs. 3,782 crores.[9](See Table 1) About 55 per cent of total investment in Central Public Sector undertakings are in basic industries like steel, coal, minerals, petroleum and power. Public sector today accounts for almost 100 per cent in petroleum, lignite, copper, lead, telephones and teleprinters. About 89 per cent of coal, 77 per cent of steel, 38 per cent of aluminium and about 87 per cent of zinc comes from the public sector enterprises.[10] Public sector undertakings like Hindustan Petroleum, Bharat Petroleum, Indian Oil, Coal India Ltd., Steel Authority of India Ltd., Oil and Natural Gas Corporation and Bharat Heavy Electricals Ltd., found place in "Fortune International 500" list of the largest non-US industrial corporations for 1987.[11]

VI. Growth of Private Sector

Contrary to the arguments of a section of the capitalists, who are always critical of state intervention, the development of the public sector did not hinder the growth of the private sector. Rather, the state intervention through planned process created the atmosphere for the rapid development of private capitalists

It can be understood from the fact that whereas the capitalists grew numerically at the rate of 1.5 per cent per year between 1903-04 and 1946-47, between 1948-49 and 1966-67, the figure rose to 7.3 per cent per year.[12] As from 1986-87, the private sector accounted for 93 per cent of the total number of factories in the industrial sector, employing about 65 per cent of industrial workers. They account for nearly 60 per cent of the gross value of output (See Table 2). Between 1973-74 and 1985-86, the number of factories under purely private enterprise increased from nearly 56 thousand to 93 thousand. The productive capital involved in these factories increased during the period from Rs. 65 billion to Rs.307 billion.[13](See Table 3). According to a recent study, between 1985-86 and 1989-90, gross sales in the private sector increased from Rs.45,709 crores to Rs. 77,828 crores and the net profits as percentage of gross sales from 2.8 to 3.4.[14]

Table 2: Growth of Wholly Private Enterprises: Principal Characteristics

Characteristics	*Unit*	*1973-74*	*1985-86*
Number of factories	Nos.	55,659	92,783
Number of employees	Nos.	42,51,678	47,38,255
Productive capital	Rs. in crores	6,469	30,745
Invested Capital	Rs. in crores	16,924	32,172
Gross output	Rs. in crores	15,456	71,628

Source : India Data Base : The Economy Vol. II, L.M. Books, New Delhi, 1990.

Creation of infrastructural facilities and demarcation of the spheres of investment considerably helped the development of small-scale industries. Between 1973-74 and 1989-90 the total number of small-scale industries increased from 4.16 lakhs to 18.27 lakhs. They employ 1.2 crores of employees and produce goods worth Rs.93,100 crores. Their exports increased from Rs.393 crores in 1973-74 to Rs.5,681 crores in 1988-89. This sector accounts for 35 per cent of the gross value of manufacturing output and 40 per cent of exports.[15]

In spite of certain restrictions imposed on the big firms in the initial years of planning, the maximum benefits of the planned development were in favour of the big capitalists. According to a government source, 853 companies registered under MRTP Act in 1972 had net assets of Rs. 4,847 crores and together they accounted for 80 per cent of the aggregate value of all companies in the private sector.[16] Development of infrastructural facilities, import substitution policies and of the government, loopholes in the industrial licensing system and bank credit policies - all these favoured the monopolies.[17] In addition to the profitable consumer industries where they have a clear dominance, over the years, private investment has increased in basic industries like petroleum and petroleum products, basic industrial chemicals, fertilisers and pesticides, drugs and medicines, cement, iron and steel. Some of the private monopolies became competitive

enough to export capital and technology to foreign countries in the form of joint ventures, project exports and consultancy services.[18]

Table 3 : Structure of Industrial Sector by Type of Ownership (1980-81)*

Sector	*Factories* (*No.s.*)	*Workers* (*000's*)	*Productive Capital* (*Rs. crores*)	*Gross value of output* (*Rs. crores*)	*Net Value added* (*Rs. crores*)
Public Sector	4,353	1,626	50,010	39,818	8,518
	(4.4)	(28)	(56.2)	(29.9)	(38.3)
Joint Sector	2,404	385	9,234	7,015	1,065
	(2.5)	(2.5)	(10.4)	(5.3)	(4.2)
Private sector	91,077	3,794	29,781	79,073	14,426
	(93.0)	(65.4)	(33.4)	(59.5)	(56.5)

* Figures in brackets show the percentage.

Source : CMIE, Basic Statistics relating to Indian Economy, Vol. I, All India.

As the private monopolies started gaining strength, the government started liberalising the economy, gradually to allow them even into the areas which were previously considered as the exclusive domain of the public sector. As the pace of liberalisation increased in the 1980s, the private sector in general and monopolies in particular, started gaining greater profits. The total assets of 1152 large business units in the private sector increased from Rs. 32,159 crores in 1983-84 to Rs. 92,916 crores in 1989-90. The value added by these units during the same period rose from Rs. 7,182 crores to Rs. 18,713 crores and the net profits after tax increased from Rs. 606 crores to Rs. 3,350 crores.[19] The growth in the net assets of a few leading monopoly groups in India clearly endorses the contention of the Monopoly Enquiry Commission which clearly states that "the planned economy which government decided to accept for the country as a whole as the quickest way to achieve industrialisation on the right lines has proved to be a potential factor for further concentration".[20]

VII. Factors Compelling Economic Liberalization

The process of industrialisation could change the erstwhile semi-feudal India into a modern capitalist nation. However this process has not been smooth and uninterrupted. Industrialisation could create enormous wealth in the country, but its benefits did not reach the toiling masses. While basic problems like poverty, unemployment and economic stagnation persisted, industrial development has created extremely rich and powerful minority group of individuals capable of guiding the destiny of the nation. Moreover, having initiated industrialisation within the capitalist framework, that too at a time when capitalism had lost its progressive character, economic development in India remained basically uneven. Being a part of the world capitalist economy, India could not escape from the negative effects of world capitalism. Added to them were the problems

created by the constraints on the internal market arising from stagnation in effective demand. The combined effect of all these is a continuing slow growth rate in the economy as a whole. After the economic crisis of mid-sixties, almost upto 1980, the growth rates in India remained around four per cent. As the internal market got exhausted, industrialists started searching for other alternatives. It is then that as a class the bourgeois started criticising the basic postulates which guided Indian economic planning for the first thirty years. The rationale of public sector, import substitution policies, the industrial licensing policy system and foreign exchange regulations began to be questioned. Responding to this situation, during her second term, Smt. Indira Gandhi initiated liberal economic reforms.[21] Following her footsteps, Mr. Rajiv Gandhi's regime further speeded up economic liberalisation. In 1985, as a part of his "New Economic Policy", twenty five broad categories of industries were delicensed and twenty-two out of twenty seven MRTP industries were exempted from Section 21 and 22 of the MRTP Act.[22] During this period corporate taxes were considerably reduced and import licenses for certain products were liberalised. FERA rules were considerably diluted and foreign technical agreements were encouraged. As a consequence of these liberal policies, industrial growth rates crossed 8 per cent in the middle of 1980s. However this industrial boom was short lived. As a consequence of many internal and external problems, industrial growth rate in different sectors began to decline since 1989. The Gulf war, the collapse of the Soviet socialist bloc, and the world capitalist recession further complicated the balance of payments problem and the foreign exchange crisis in India. It is in this situation that the new government headed by Mr. P. V. Narasimha Rao was compelled to initiate the New Industrial Policy altering the basic macro-economic postulates which guided Indian planning ever since independence.

VIII. The New Industrial Policy : 1991

While a section of the Indian economists[23] view the industrial crisis in India as a problem arising from demand constraints, the policy-makers see it as the consequence of an excessive bureaucratic control of the economy, technological incompetence and lack of competition. Naturally, keeping aside the task of widening the internal market through structural changes, the New Industrial Policy (1991) laid stress on deregulation, technological upgradation and competition. The central elements of this policy may be summarised as below:

(1) In order to free industry from bureaucratic control industrial licensing was abolished for all projects, except in 18 industries, which involve mainly strategic and environmental concerns. As a result 80 per cent of the industry came out of the licensing framework. Through such deregulation, the government expects to step up healthy competition and reduce delays in project implementation.

(2) The Monopolies and Restrictive Trade Practices Act (MRTPA) was

amended to eliminate the need for prior approval by large companies for capacity expansion and diversification. Now the MRTP Act no more expects prior approval of the central government even for mergers, amalgamations and take overs. Such non-interference in the investment decisions of large companies was expected to ensure higher productivity and a competitive advantage in the international market.

(3) The government decided to invite foreign investment even in priority industries. To encourage them the limit of foreign equity holdings was raised from forty to fifty-one per cent in a wider range of priority industries. In addition the government further liberalised foreign technology agreements by giving a free hand to the industrial units to negotiate such agreements. Import duties were lowered for a number of products. Such changes in foreign regulation rules were aimed not only at overcoming the foreign exchange crisis but also at upgrading the technological standard of Indian goods.

(4) As a solution to the chronic problems affecting the public sector, the New Industrial Policy proposed radical reforms. For example, except for a few industries which have strategic and security importance, the public sector would relinquish its monopoly in all other industries. As a result, the private sector can now enter many core industries like iron and steel, electricity, air transport, ship building and heavy machinery industries. In order to make privatisation acceptable to the public, the government announced its intention to offer a part of government shareholding in the profit-making public sector enterprises to mutual funds, financial institutions, the general public and workers. In the first phase, the government has chosen to disinvest upto twenty per cent of its holdings in thirty-one public sector undertakings. In case of sick public sector unit, the government proposes to refer them to the Broad of Industrial and Financial Reconstruction (BIFR) for the formulation of appropriate rehabilitation packages. The Boards of public sector companies would be made more professional and efforts would be made to associate private industrialists in the management of public sector units. Through all these policies, the government expects to overcome problems like insufficient growth in productivity, overmanning, technological stagnation, poor management practices and heavy losses affecting the public sector in India.

IX. Future of Indian Economy

As a result of forty years of planned development, India has emerged as one of the industrialised nations in the world. In matters related to the scope and diversification, technological upgradation and indigenisation, only a very few developing countries can be compared with India. India is now almost self-sufficient in the case of many basic industrial products. In addition to the basic industries the consumer sector is also sufficiently developed to meet the growing needs of the people. In recent years, some of the leading private and public sector companies have become competitive enough to undertake turnkey projects, project exports and consultancy services.

Such progress made by the Indian industry is by no means a mean achievement. However, when one looks at the complex national and international scenario, the future of Indian industry does not appear to be as bright as the policy makers and the representatives of the Indian capitalists would make us believe. Though a section of the industrial class would no doubt be benefited by the enormous concessions made by the New Industrial Policy, one may still question the social costs involved in such policy measures.

Table 4: Survey of all Industries by Type of Organisation (1985-86)

Nature of Ownership	*No of Factories (No.s)*	*No. of Employees (No. lakhs)*	*Productive capital (Rs.Crores)*	*Gross output (Rs. Crores)*
Individual Proprietorship	17,725	3.2	1,041	1,992
Partnership Proprietorship	54,498	15.6	4,759	16,928
Public Limited Company	7,898	25.9	34,944	56,239
Private Limited Company	14,965	10.9	8,526	18,557
Public Corporation	2,118	9.1	17,521	15,928
Corporate Sector	24,981	45.9	60,992	90,724
Cooperative Society	1,965	2.5	2,338	3,576
Others	1,847	7.4	14,753	6,934
Total : All Establishments	1,01,016	74.7	83,884	1,20,155

Source : India Data Base : The Economy Vol. II, L. M. Books, New Delhi, 1990.

Though the government talks of free competition and free play of marked forces, in any economy dominated by corporations competition can at best be among different monopoly groups. The question of individual capitalists gaining ascendancy over the corporate sector does not arise in Indian conditions. It can be understood from the fact that the corporate sector in India with its 24,981 factories in 1985-86 employed around 46 lakh workers. While the productive capital involved in this sector was around Rs. 60, 992 crores, its gross output in that year amounted to Rs. 90, 724 crores (See Table 4). Though only one-fourth of the total number of factories are within the corporate sector it accounts for over 60 per cent of the total number of employees, 73 per cent of the total productive capital and over 75 per cent of the total gross output involved in the industry as a whole.[24] A few top companies belonging to the corporate sector could nearly monopolise the markets of many industrial products. Recent CMIE data shows that there is a high concentration in industries producing organic chemicals, non-ferrous metals, non-electrical products and transport and auto-mobile machinery.[25] In such conditions steps such as decontrol, delicensing or

abolition of investment limits would only promote the interests of the big firms. If the government does not give conscious protection, the small-scale industries will either disappear or become appendage of the big industries. But when the concern of the government is to ensure "higher productivity and competitive advantages in the international market", it is but natural that it will go ahead with promonopoly measures, though it might go against the interests of the small scale sector.

Again, in future, industrialisation would take place at the cost of millions of workers. In a country like India where there are crores of unemployed people, it is essential to encourage labour intensive technologies. However, for India which intends to promote its business in other countries, dependence on advanced technologies becomes indispensable to produce quality goods at competitive prices in the world market. Such economic rationality compels the policy makers to promote capital intensive technologies, though that might further squeeze employment potentialities. The government's indifference to the plight of small scale industries, its bias towards advanced technologies and its decision to close down the sick and incompetent industries[26] would seriously affect the interests of the working class in India.

As long as India had close relations with the Soviet Socialist bloc at least ideologically India was committed to policies aimed at promoting the public sector, import-substitution and controlled foreign investments, on a selective basis. However, with the collapse of Soviet bloc and the decline of the socialist ideology, the Indian state distanced itself from its earlier policies and started searching for other alternatives to set right its crisis-ridden economy. It is in this context that terms such as globalisation, liberalisation, privatisation, export orientation and free competition started gaining currency in India. Primarily to accommodate the market-hungry private sector, the government sought to reduce the significance of the public sector in the national economy. Its call for globalisation is in one sense an admission of the fact that the Indian economy cannot develop further without foreign investment, foreign technology and foreign markets. While the big industrialists would definitely take advantage of the new policy measures and further advance its business interests in the internal and external markets, there is also the danger of these policies strengthening the hold of foreign multinationals and financial institutions on the Indian economy as a whole.

Because of all these negative implications, some of the economists and politicians in India view the New Industrial Policy with much scepticism. In view of the grim national and international scenario, they consider that the New Industrial policy would upset the balance of the Indian economy, promote the interests of a tiny section of the business community and undermine the economic sovereignty of the nation. If these fears are not unfounded, it is better for India to explore some other alternative models of industrial development which would assure economic growth along with social justice.

Notes and References

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