A study on Importance of Industrial Sector in Indian Economy

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Abstract

The industries are economic agents of the country. The industries are engines of economic growth. The entrepreneurs are driven by different motives. They are the contributors of Govt. exchequers, international trade, social services and employment centers. The country's growth rate depends on growth rate of industrial sector. The average job creation remains at 264 lakhs persons per year. The total collection of corporation taxes s increased. The industries are life blood of economy. Achievement of economic objectives and prosperity is not possible without industries. Since 1991 industrial sector is looking for the benefits of globalization. The industries are facing competition at international level. Change in industrial, commercial and labor laws is also one of the significant factors in the development. Recent announcement of establishment of Mudra bank (Micro Units Development and Refinance Agency) with initial funding of Rs 20 thousand corers is a positive step taken by government in this regard. The achievements of Disinvestment target is not as per expectations however recently the issue is properly taken up by the present government. With a strong industrial base, economic planning becomes less risky, being able to plan ahead also assists industrial growth with profits re-invested into infrastructure development which in turn helps to boost and attract industry.

Keywords: Industrialisation, GDP, Employment, Five-Year Plans.

Introduction

The progress of a country is measured by its industrial development. To be a strong power in the world, a country needs to be industrially advanced too. Although agriculture has its own importance and provides the basic necessities of life, but it alone cannot take a country forward. Even to modernize and improve agriculture, industrialization is necessary. The modern equipments that are used by farmers is produced by industries. Industry accounts for 26 percent of the GDP and employ 14percent of the total workforce. In absolute terms, India is 12th in the world in terms of nominal factory output. The Indian industrial sector underwent significant changes as a result of the economic reforms of 1991, which removed import restrictions, brought in foreign competition, led to privatisation of certain public sector industries, liberalised the FDI regime, improved infrastructure and led to an expansion in the production of fast moving consumer goods. The population of India is so large that we need many such industries to produce enough material so that things are available in plenty and at reasonable prices. Goods can be exported after they are manufactured in various industries. If quality is maintained by the manufacturers, the reputation of

Indian industries would be high. Goods should be highly sophisticated so that they capture world market. To survive in the world, every country needs to be noticed and respected for what it produces and contributes to the world market. Cars and electronics manufactured in Japan have created uproar in the world. Their high quality is greatly applauded and Japan has almost become a super power in the world because of its advanced industrial development.

Objectives

The objectives of the study stated as following:

- To examine the role of industries on Indian economy.
- To study the present status of industrial sector in India.
- To study the performance of industrial sector during Five Year Planning period.

Methodology

The Present study is mainly emphasis on growth and development of industrial sector in India and based on secondary source of data. Which were collected through various Annual reports and economic surveys. Some information collected from the sources of Journals, Periodicals, Books and Website. The collected data was analyzed by using simple analytical tool like average, percentage etc.

Major Industries:

1. **Iron and steel industry**
   - First steel industry at Kulti, Near Jharia, West Bengal - Bengal iron works company in 1870
   - First large scale steal plant TISCO at Jamshedpur in 1907 followed by IISCO at Burnpur in 1919. Both belonged to private sector
   - The first public sector unit was "Vishveshvaraya Iron and Stell works" at Bhadrawati
2. **Public sector steel plants**

Location	**Assistance**
Rourkela(Orrisa)	Germany
Bhilai(MP)	Russian government
Durga[ir(WB)	British government
Bokaro(Jharkhand)	
Burnpur(WB)	Acquired from private sector in 1976
Vishakhapattnam(AP)	Russian government
Salem(Tamil Nadu)	-
Vijai Nagar(Karnataka)	
Bhadrawati(Karnataka)	nationalisation of Vishveshvarayya Iron and Steel Ltd(owned by Central and State government)

- all these are managed by SAIL(at present all important steel plants except TISCO, are under public sector)
- steel authority of India Ltd(SAIL) was established in 1974 and was made responsible for the development of the steel industry
- Presently India is the eighth largest steel producing country in the world.

3. **Jute industry**
   - Jute industry is an important industry for a country like India, because not only it earns foreign exchange but also provides substantial employment opportunities in agriculture and industrial sectors
   - Its first modernised industrial unit was established at Reshra in West Bengal in 1855
   - The jute industry in the country is traditionally export oriented. India ranks number one in the raw jute and juite goods production and number two in export of jute goods in the world.
4. **Cotton and textile industry**
   - Oldest industry of India, and employees largest number of workers
   - It is the largest organised and broad-based industry which accounts for 4% of GDP, 20% of manufacturing value-added and one third of total export earnings.
   - The first Indian modernised cotton cloth mill was established in 1818 at Fort Gloaster near Calcutta but this mill was not successful. The second mill named "Mumbai's spinning and weaving Co." Was established in 1854 at Bombay by KGN Daber.
5. **Sugar industry**
   - Sugar industry is the second largest industry after cotton textile industry among agriculture-based industries in India.
   - India is now the largest producer and consumer of sugar in the world. Maharashtra contributes over one third of the total sugar output, followed closely by Uttar Pradesh.
6. **Fertiliser industry**
   - India is the third largest producer of nitrogenous fertilisers in the world
7. **Paper industry**
   - The first mechanised paper mill was set up in 1812 at Serampur in West Bengal.
   - The paper industry in India is ranked among the 15 top global paper industries.
8. **Silk industry**
   - India is the second-largest(first being China) country in the world in producing natural silk. At present, India produces about 16% silk of the world.
   - India and joys that distinction of being the only country producing all the five known commercial varieties of silk viz Mulberry, Tropical Tussar, Oak Tussar, Eri and Muga.
9. **Petroleum and natural gas**
   - First successful Oilwell was dug in India in 1889 at Digboi, Assam.
   - at present a number of regions having oil reserves have been identified and oil is being extracted in these regions

- for exploration purpose , **Oil and Natural Gas Commission (ONGC)** was established in 1956 at Dehradun, Uttarakhand

Industries offer several benefits to the country. They are:

1. When there is development of industries in the country, there will be the investment of large capital, use of modern machineries, high degree of specialisation and large-scale operations. As a result, there will be greater productivity and higher national income. Higher national income, in turn, will contribute to increase in per capital income. Thus, development of industries will contribute to the growth of national and in per capital income in the country.
2. Industrialisation creates more and varied employment opportunities, and thereby, reduces the problem of unemployment and under-employment in the country. Further it can absorb the surplus agricultural labour, and thereby, reduce the problem of disguised unemployment in rural areas. Again it can contribute to the development of cottage and small industries in rural areas.
3. Industries will promote agricultural development in the country in many ways. First, with the development of agro-based industries (i.e. industries based agriculture), such as sugar-cane, raw cotton, raw jute, tobacco, oil seeds etc. there will be more demand for these materials. This, in turn will encourage the development of agriculture.
4. Industries will contribute to the development of tertiary sector, i.e. trade, transport & communication , banking insurance, etc.
5. Development of industries will be helpful in maintaining a proper balance between agriculture, industry and the tertiary sector, which is essential for the all-round economic progress of any nation.
6. Development of industries will contribute to the expansion of existing industrial areas and growth of new industrial areas.
7. Agriculture in India is not stable, as it is largely dependent on the vagaries of monsoons. On the other hand, industries are relativity more stable.
8. Industrialisation contributes to better utilisation of natural resources like minerals, forests, fisheries, etc. which the country has in abundance
9. Industrialisation will contribute to the expansion of the markets for agricultural crops, minerals, forest products etc. Further, industrialisation will contribute to the expansion of the markets for capital goods or producer goods like plant & machinery.
10. Industries contribute to increase in the income and purchasing power of the people. Further, they make available to the people a wide variety of goods for consumption.
11. Industries are indispensable for national defence. Arms and ammunitions, ships, aircrafts, tankers, etc.

Industrial Development during The Five-Year Plans

The real growth and development of the industrial sector in India started during the period of Five Year Plans.

First Five-Year Plan (1951-56)

The main thrust of the First Five-Year Plan was on agricultural development. Therefore, the emphasis was on increasing capacity of the then existing industries rather than the establishment of new industries. Cotton, woollen and jute textiles, cement, paper, newsprint, power-looms, medicine, paints, sugar, vanaspaa (vegetable oil), chemical and engineering goods, and transport equipments showed some progress.

Second Five-Year Plan (1956-61)

Great emphasis was laid on the establishment of heavy industries during the Second Five-Year Plan. The second industrial policy was announced in 1956. The main thrust of industrial development was on iron and steel, heavy engineering, lignite projects, and fertiliser industries. Moreover, there was emphasis on the expansion of existing steel plants, like Jamshedpur, Kulti-Burnpur, and Bhadravati. Three new iron and steel plants were located at Bhilai, Durgapur, and Raurkela. The Chittranjan Locomotive Workshop, the Hindustan Ship-building Yard (Vishakhapatnam), the Sindri Fertiliser Factory, and Hindustan Machine Tools Ltd. (HMT) at Bangalore were expanded. Many of the targets, however, could not be achieved because of the war with China in 1962 and the failure of monsoon over greater parts of the country.

Third Five-Year Plan (1961-66)

There was emphasis on the expansion of basic industries like iron and steel, fossil-fuel, power, and machine building. The Ranchi Machine Tool and three more HMT units were established. Machine building, locomotive and railway coach making, ship-building, air-craft manufacturing, chemicals, drugs, and fertiliser industries also made steady progress.

Fourth Five-Year Plan (1969-74)

The period between 1966 and 1969 was the period of annual plans. The industrial period could not make much progress during the annual plans period. During the fourth Five-Year Plan there was much emphasis on the agro-based industries such as sugar, cotton, jute, vanaspati, metal-based, and chemical industries. It was during this plan when much progress was made in alloys, aluminium, automobile-tyres, electronic goods, machine tools, tractors, and special steel. Efforts were also made to accelerate the process of industrial dispersal.

Fifth Five-Year Plan (1974-79)

The main stress in this plan was on rapid growth of steel plants, export-oriented articles, and goods of mass consumption. The steel plants at Salem, Vijaynagar, and Vishakhapatnam were proposed to create additional capacity. The Steel Authority of India (SAIL) was constituted. Moreover, drug manufacturing, oil refining, chemical fertilisers, and heavy engineering industries made steady progress.

Sixth Five-Year Plan (1980-85)

The main emphasis in the Sixth Five-Year Plan was on producing goods to exploit the domestic and international markets. To achieve this objective industries like aluminium, automobiles, electric equipments, thermo statics were given the priority. Production targets were achieved in industries like commercial vehicles, drugs, T.V. receivers, automobiles, cement, coal, jute industry, non-ferrous metals, textiles, railway wagons, sugar industry, etc.

Seventh Five-Year Plan (1985-90)

The main thrust of the Seventh Five-Year Plan was on 'high tech' and electronic industries. Industrial dispersal, self employment, exploitation of local resources, and proper training were the preference areas of the plan.

Eighth Five-Year Plan (1992-97)

The period between 1990 and 1995 was the period of annual plan. There was a major change in the industrial policy of the Government of India which was initiated in 1991. The policy of liberalisation was adopted for the investment of foreign multi-nationals. Emphasis was given on the removal of regional imbalances and encouraging the growth of employment in small and tiny sectors.

Ninth Five-Year Plan (1997-2002)

The main emphasis during this plan was on cement, coal, crude oil, consumer goods, electricity, infrastructures, refinery, and quality steel products.

Tenth Five-Year Plan (2002-07)

During the Tenth Five Year Plan, the main emphasis was on:
(i) the modernisation, technology upgrading, reducing transaction costs, and increased export;
(ii) to enhance export and to increase global competitiveness; and (iii) to achieve balanced regional development.

Eleventh Five Year Plan (2007-12)

The 11th plan document entitled "Towards Faster and More Inclusive Growth" gave priority to: agriculture, irrigation, and water resources, education, health, infrastructure, and employment, along with programmes for SCs/STs, other backward classes, minorities, women and children. Government has realised that in recent years although economic growth has accelerated but it has failed to be 'inclusive'. In other words benefits of growth have not reached all sections of population particularly small farmers, landless labourers and persons working in unorganised sector have remained beyond the benefits of development. Eleventh plan stresses that benefits of development should reach all sections of population. This plan emphasizes on social justice. Eleventh plan recognizes that we need a growth process that brings faster reduction in poverty, generate employment and ensures essential services such as health, and education to all sections of the society.

Findings

The finding depends on the analysis of the role indicated in the discussion of the paper **Revenue Generation**-The Corporation taxes in total has been increased. The average percentage of increase in tax collection per year is 25.During the year 2008-09 and 2009-10 is reduced below average. Average tax collection for the period 2001 to 2005 remains at Ts. 53109crs. Whereas for the year 2006 to 2010 it was Rs 179325.The period 2011 to 2016 recorded the average collection of Rs. 365195

Performance of Public sector units- The contribution of public sector undertaking is reduced 2008-09.Dividend declared by these units at average rate from the period 2003 to 2008 was Rs 17921 corers where as for the period 2009 to 2014 is was 35814crs. However the industrial units in Public sector are not showing growth in the year 2013-14. The trend is nit steady. It is also applicable to private and government sector industries.

Production of Major Units- Coal, crude oil, fertilizers and cement industries are considered as major industries. The performance of other industries depends on the production of major crucial industries. Production of coal is increasing continuously from 2012. The average coal production for 2009 to 2015 remains at 4430 lakhs tones. Production of crude oil remains very low in the year 2011-12 .Production of cement remains stable from 2009 it increased after 2009. Average production for last 5 years is Rs 2370 lakhs tones.

Export and Imports- The growth rate of export remains at 18 % per year on average basis. But growth accounted by special economic zone is reduced from 2011 onwards. During the year 2009-10 it was highest at 121%. The average exports of export oriented units are recorded at Rs 98432.5 corers during the period 2008-09 to 2013-14.

Industrial Investment- Industrial investments and capital formation is increased in 2007-8. The gross capital formation in the year 2011-12 was Rs. 275 319 corers but it is reduced in the year 239778 and Rs. 238976 crores in 2013-14.

Conclusion

The areas providing thrust to India's Industrial recovery were the growth of domestic demand and the external demand for industrial goods. Several studies have shown that India's market penetration has always gone down whenever the world trade exhibited a deceleration. On the supply side India has to reduce its unit cost of exports by improved infrastructure, better quality of products, better marketing, policy rationalization and tariff reduction. On the demand side, it has to take a more positive approach regarding rupee adjustments and lay emphasis on proper choice of markets through a rational approach to regional groupings. The first set of policies is mostly of medium and long term nature. Hence, the second set should be considered seriously. Care should also be exercised to ensure that increase in public investment should not resulting crowding out of private sector efforts. For achieving this revival of foreign direct investment in infrastructure areas is a must. The present policy of the government in this area needs more emphasis and a sense of urgency. Along with the policies of accelerating investment in infrastructure by the public sector and encouraging increased private sector investment including joint ventures, a much faster reform process of deregulation, improving the capital market and prudent exchange rate policy will be imperative. To facilitate rapid deployment of investment from unproductive to productive lines of activities there is a need to formulate legislative reforms. Employment opportunities should be promoted in the organized segment of the industrial sector. Promotional policies should be framed for the development of small scale sector rather than protection. Government has to take steps to provide more credit to industrial sector through industrial financial institutions at cheaper rate of interest.

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