
INDUSTRIAL DEVELOPMENT IN INDIA - PRE AND POST REFORM PLANNING

** Snehal Kalyanrao Laghane*

Introduction

Economic development is the primary goal of most of the world's nations. This truth is accepted almost without any controversy. Due to the rapid growth of the Indian economy, industrial development has become a matter of serious concern to planners and policy makers. Plays a vital role in the development of developing countries as it can solve their problems of general poverty, unemployment, backwardness, low production, low productivity and low standard of living, etc. It is equally important for developed countries because it helps them not only to maintain their current growth, but also to enjoy an even higher standard of living to avoid cyclical fluctuations. Therefore, rapid industrial growth has been a major planning goal in India. In 1951, Indian Prime Minister Jawaharlal Nehru announced that India had to industrialize as quickly as possible. While politicians have done everything possible since then, including planning, to industrialize the country, India has yet to become a manufacturing power like China. India's post-independence development plans emphasized industrialization as a very important tool for sustained growth. Industrial development is deemed necessary to achieve a high rate of economic growth, to provide for the basic needs of the population, to lead to an increasingly diversified economy and to bring about changes in social and institutional psychology. Prior to 1980, based on the perception of the success of the Soviet Union, it was believed that the key development strategy was to focus on large and heavy industries under state control and central planning. The strategy also included import substitution, strict price controls and severe restrictions on private initiatives. Growth of India. For reasons, the lack of industrial demand, especially for capital goods, has been widely accepted as the main reason for the relative stagnation since the 1960s. However, there was also an argument that the control of production, investment and trade commonly referred to as the raj license permit stifled private enterprise and wasted scarce public resources. The controls would have led to widespread inefficiency of the EC's resources, as evidenced by weak growth in total factor productivity, or the increase in differential ratios of capital production in the 1970s. The darkness has perhaps been accentuated by oil price and agricultural supply shocks in the late 1970s, as well as the political uncertainty that prevailed when Indian democracy first entered the coalition era at the national in 1977.

Tariff quotas (as a first phase of trade reforms)

In the 1980s, many branches of manufacturing such as the automotive industry, cement, cotton spinning, food processing and polyester yarns witnessed the modernization and expansion of production scales. . Tariff quotas (as a first phase of trade reforms) albeit at very high levels, and constant depreciation of the currency in nominal terms. The upturn in industrial production growth during this decade has been variously attributed to liberalization, improved public investment and public sector performance. The Indian government had undertaken political reforms since 1980, but the most radical reforms have taken place since 1991, after the severe economic crisis of fiscal 1990-91 the rupee was depreciated to increase exports. At the same time, many capital goods have been added to the list of products whose imports do not need to be authorized by government authorities. In addition, licensing restrictions for a wide range of industrial inputs have been relaxed or lifted while the maximum import duty rate has been lowered. The pipeline system has also been liberalized. Finally, foreign investment has been liberalized. As a result, foreign direct investments of up to 51 percent equity participation in high priority sectors were automatically allowed. Industrial licenses have been liberalized or abolished. In addition, the Monopolies and Restricted Business Practices Act (MRTP) has been deregulated. The number of activities reserved for public sector enterprises (PSEs) has also been reduced. The market has generally become more competitive after the adoption of liberalization policies. First, the relaxation of various national restrictions (e.g. industrial licenses, MRTP, etc.) has fostered competition among local businesses. Second, the deregulation of foreign investment restrictions has fostered competition between local and foreign firms. Globalization mainly takes place through two channels in the industrial sector: trade liberalization and the liberalization of capital movements. After almost more than two decades of reform, one question that has caught the attention of economists in recent times is what effect these economic reform measures have had on the performance of the industrial sector in the post-reform period in India. To find out the answer, this article attempts to present the industrial development of India in the pre-reform and post-reform period and to investigate the impact of globalization on the industrial sector in India. This analysis is based on secondary data from the Industrial Production Index (IIP).

Performance of Indian Industry in Pre and Post Reform Period

Phase I: Pre Reform Period (1981-82 to 1990-91) The Period of 1980s can be termed as a period of industrial recovery. This is clearly brought out by a study of the revised Index of Industrial

Production (Base 1980-81). Rates of industrial growth based on this index are presented in Table 1.

Table: 1 Annual Growth Rates in Major Sectors of Industry from 1981-82 to 1990-91 (in Per cent)

Period (Weight)	Mining (11.46)	Manufacturing (77.11)	Electricity (11.43)	General (100)
1981-82	17.7	7.9	10.2	9.3
1982-83	12.4	1.4	5.7	3.2
1983-84	11.7	5.7	7.6	6.7
1984-85	8.9	8.0	12.0	8.6
1985-86	4.1	9.7	8.5	8.7
1986-87	6.2	9.3	10.3	9.1
1987-88	3.8	7.9	7.7	7.3
1988-89	7.9	8.7	9.5	8.7
1989-90	6.3	8.6	10.8	8.6
1990-91	4.5	9.0	7.8	8.2
Average from 1981-82 to 1990-91	8.4	7.6	9.0	7.8

Note: IIP (Index of Industrial Production) Base Year: 1980-81. Source: Economic Survey, (Various Issue), Ministry of Finance, Government of India, New Delhi

Phase II: Post Reform Period (1991-92 to 2010-11)

The post-reform period up to 2000-01 was characterized by large fluctuations and therefore showed a total lack of consistency in industrial growth performance. a sharp decline to 0.6 percent in 1991-92, the industrial growth rate has shown an upward trend since 1992-93, registering an overall growth of 2.3 percent in 1992-93, 6.0 percent in 1993-94, 9, 1 percent in 1994-95 and up to 13.0 percent in 1995-96 After peaking in 1995-96, industrial growth slowed considerably in 1996-97 (6. The average growth rates of Indian industry in the post-reform period (from 1991-92 to 2000-01) were 6.0 percent, manufacturing growth was 6.3 percent, mining 3.3 percent. percent and electricity 6.6 percent. The average annual growth rate of industrial production which was 7.8 percent in the decade preceding the reform (1981-82-1990-91) fell to 6.0 percent during the period 1991-92-200-01. The main causes of unsatisfactory industrial performance in the post-reform period up to 2000-01 were exposure to external competition, slowdown in investments, infrastructure constraints and difficulties in obtaining funds for expansion, poor growth in exports, anomalies in the tariff structure and the contraction of consumption conditions. Demand. Eighth Five-Year Plan period versus Seventh Five-Year Plan period seems to be that “the industrial sector, which had been almost completely protected from both industrial and external competition during the previous four decades, was suddenly exposed to foreign competition by a significant

liberalization of imports and a drastic reduction in import duties. The industry was hardly prepared for this and the slowdown was only predictable. “Slowdown in Investment: A major reason for the slowdown in industrial growth in the 1990s was the slowdown in investment. It is known that the formation of capital in the public sector and the private sector this sector stimulates industrial growth in the form of both direct demand and the purchases that these expenses entail, and of the indirect demand resulting from the generation of income. Through investments. IMF in 1991, the Indian government was forced to cut public spending. In physical terms, the decline in public investment is perhaps best captured by the sharp decline in the growth of power generation capacity from 810% in the 1980s to 46% in the 1990s, since it has existed. Strong complementarity between public investment and private investment investment, a reduction in the growth rate of real public investment also had a depressing effect on private investment. Structural constraints: Perhaps the most important reason for the unsatisfactory performance of the industrial sector is the deterioration of the condition of the infrastructure. Industrial production has suffered not only from insufficient availability of infrastructure such as electrical and transport bottlenecks, inadequate handling facilities in ports, etc. times in ports, etc. All of these factors added to the actual costs of production and thus affected the competitiveness of the domestic industry. Difficulty in obtaining funds for expansion: The orderly development of the capital market is an important condition for industrial growth because in its absence, private sector capitalists will find it difficult to find resources for expansion. The period since 1991 has seen two stock market scams, one in 1992 and the other in March April 2001.

Table: 2 Growth Rates of Industrial Production 1991-92 to 2010-11 Annual Growth Rates in Major Sectors of Industry from 1991-92 to 2010-11 (in Per cent)

Period (Weight)	Mining (10.4)	Manufacturing (79.4)	Electricity (10.2)	General (100)
1991-92	0.6	-0.8	8.5	0.6
1992-93	0.5	2.2	5.0	2.3
1993-94	3.5	6.1	7.4	6.0
1994-95	9.8	9.1	8.5	9.1
1995-96	9.7	14.1	8.1	13.0
1996-97	-1.9	7.3	4.0	6.1
1997-98	6.9	6.7	6.6	6.7
1998-99	-0.8	4.4	6.5	4.1
1999-00	1.0	7.1	7.3	6.7
2000-01	2.8	5.3	4.0	5.0
2001-02	1.2	2.9	3.1	2.7
2002-03	5.8	6.0	3.2	5.7
2003-04	5.2	7.4	5.1	7.0

2004-05	4.4	9.2	5.2	8.4
2005-06	1.0	9.1	5.2	8.2
2006-07	5.4	12.5	7.2	11.6
2007-08	5.1	9.0	6.4	8.5
2008-09	2.6	2.5	2.7	2.8
2009-10	9.7	10.8	6.0	10.3
2010-11	5.2	9.0	5.5	8.2
2010-11	5.2	9.0	5.5	8.2
Average from 1991-92 to 2010-11	3.9	7.0	5.8	6.7

Source: Economic Survey, (Various Issue), Ministry of Finance, Government of India, New Delhi

Conclusion

Growth of Service Sector According to Dalip S. Swami, there has been a massive boom in authority's expenditure on all offerings within side the Eighties. The intake sample of the provider magnificence is much less food-extensive and Greater orientated toward long lasting customer items. Therefore, the intake sample of powerful call for in Eighties modified in favor of customer long lasting items. As s a result, argues Swamy, customer durables have been driven to the vanguard of increase. Fast increase of the customer long lasting items region driven up the feet of commercial increase. The Infrastructure Factor: There turned into a marked resurgence in infrastructure funding in Eighties. As towards most effective 4.2 consistent with cent consistent with annum, boom in infrastructure funding for the duration of 1965 sixty six to 1975-76, the boom turned into as excessive as 9.7 consistent with cent consistent with annum for the duration of 1979 eighty to 1984-85. Infrastructure funding rose similarly through 16.zero consistent with cent in 1985-86 and 18.three consistent with cent in 1986-87. According to Ahluwalia, this revival of funding within side the infrastructure sectors within side the Eighties turned into additionally followed with a discernible development at the performance front. Finally, it can be concluded that despite the fact that the commercial region of India has grown after independence, the fee is underneath expectations, mainly after globalization. Thus, the want for multiplied increase can hardly ever be overemphasized.

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