CHAPTER II

INDUSTRIAL DEVELOPMENT IN INDIA

2.1 Introduction:

Today, as we hear the words “industry” or “industrial system” or just think of them, we automatically recall to our minds a picture of huge mill or factory fitted with giant machines electrically and power operated covering vast tracts of land, having wide and huge expanse of buildings and employing hundreds of men. We also associate with the roar and rattling of machines, sky-high chimneys emitting thick clouds of smoke. However, even prior to the development of modern sophisticated industry, man was industrious. He was engaged in some industry, however crude and underdeveloped that may have been in comparison to modern industry. We defined man as a rational animal; but we may equally define him with full justification as ‘an industrious animal’. Thus we find that the history of industry is as long as the history of industrial development into three periods; Ancient Industry, Medieval Industry, and Modern Industry. This division is done with a view to chronology and development\(^1\).

2.2 Ancient Period:

In the ancient or primitive period of industry are included those works which were performed by man when he was neither literate nor civilized. In this period no systematic industry had developed. This main concern of man dusting these days was merely too provide for food and physical protection. The means, which were adopted by him to meet these ends, were symbolic of his industrial effort. For food the primitive man used to hunt animals and gather wild vegetables and fruits. For hunting he employed bow and arrow and certain instruments made by sharpening stone. All primitive weapons were made either of wood or stone. These weapons were symbolic of industrial development of that period. Besides, making fire by friction of stone or bamboos was industrial miracle of that time. For a pretty long time this state of affairs persisted\(^2\).

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1 Sharma Rajendra (1997), Industrial Labour in India, Atlantic Publishers and Distributors, New Delhi, p 1
2 Ibid
2.3 Medieval Period:\(^3\):

In medieval period there was sufficient development in industry. In this period the signs of industry become quite visible in the efforts of man. A number of manfully operated machines were fabricated. Man also began using animal power to meet his ends. The signs of industrialization, production of goods in excess of consumption and stocking of these came in evidence at this time. The exchange of goods and division of labour also came into vogue. As a consequence of this, different industries started operating separately. For example, blacksmith, carpenter and weaver set up independent units. Thus, began the specialization of jobs. The artistic spirit of the artisans was awakened.

The medieval industrial age in the west can be divided into three distinct industrial systems. This division of based on the nature of the industrial system. These industrial systems are:

a) Feudal System

b) Guild System

c) Domestic System.

2.3.1 Feudal System:

Under this system, the primary industry was agriculture. Few persons controlled vast tracts of lands each and they engaged and employed hundreds of workers to do the farming. This system was in vogue in Europe between 9\(^{th}\) and 12\(^{th}\) centuries. Under this system the owner of the land was called feudal lord and persons engaged by him were called serfs, the serfs were virtual slaves of the feudal lord. Besides agriculture, other important professions were dependent upon feudal lords.

Under the feudal system, the serfs were required to give all kinds of services to their respective lords. In case required, they had to wage war against the enemies of their lord. From 11\(^{th}\) century onward, urban towns started coming up in Europe with urbanization feudal system got a setback. The labor or the working class now had an alternative to working as serfs. They could migrate to towns and find work there. As a result of urbanization, Guild system came into vogue.

\(^3\) Ibid. p.2
2.3.2 Guild System:

The urbanization in Europe emancipated the serfs from their traditional slavery. Having emancipated themselves from serfdom under feudal lords, the worker started learning new trades and skills, as a result of specialization and proficiency in trades acquired by workers, centers of trade came up. Gradually this process gave rise to Guild system. In guild system, trade associations representing various trades came into being. These trade associations worked for the promotion and development of their respective trades. This association supervised the quality and quantity of goods being produced by the member of their association. They also fixed and regulated the prices of goods.

Under guild system there used to be two kinds of guild: the Merchant Guilds and Craft Guilds. The main task of the Merchant Guilds was to look after the interests of businessmen. They used to demand justice from government in a manner in which chambers of Commerce of today function. The Craft Guilds were association formed by craftsmen carrying on a particular craft. The Craft guilds worked for the promotion of the crafts and protection of the interests of craftsmen. The craft guilds used to arrange weekly markets where craftsmen could sell their products. In Craft guilds, master craftsmen played crucial role, though less skilful Craftsmen were also given due share. They were helped to acquire proficiency in their skill. The master craftsmen used to belong to families of master craftsmen. The craftsmanship was supposed to be hereditary. In these days, the Craft guilds of Blacksmiths, Carpenters and Weavers were particularly prominent.

The guild system occupies a place of pride in the history of Industrial development. This system was important in maintaining social harmony and unity. Remarking about the merits of this system Raj Kohli says, “The builders of the great cathedrals of Europe (at the period) had achieved a unity of feeling and thought which the modern world has apparently lost”

The guild system lasted for a pretty long time, but gradually it declined. From 16th Century there was a gradual decline and deterioration in this system. There were two chief causes for the decline of this system. The first cause was internal and the second was external. The first internal cause of the decline of the guild system was that its functions and the rights of its officials were not well defined. This gave rise to myriad conflicts. For example, the guild of goldsmiths was always warring with the guild of silversmiths. Moreover, there was gradual fragmentation of the guilds.
Originally, there was only one guild of cloth merchant. But soon many sub-guilds like association of weavers, tailors, embroiderers etc., were formed.

The second cause of the decline of the guild system was external. Under this system there was one group of traders who were manufacturers and the other was on group of traders who were manufacturers and the other was that of middlemen. This group of middle mean later began exploitation of the manufacturers. It acted in the manner and style of modern capitalist. The middlemen took over the control of all levers of production and arbitrarily used them for their own selfish ends. Generally they took over the control of raw material. The arbitrary acts of these middlemen gave severe setback to the guild system.

Besides these two reasons, there were certain local and immediate caused of this decline. At this time America was discovered. The way to commerce and trade with east also opened. Due to this the trade and commerce was deeply affected. In the production sect of Christianity had greater dominance at this juncture. The rise of protestant religion factor also contributed its share in the decline of guilds. The rise of protestant religion spelt the rise of individualism and this, too, proved inimical to guild system, which was based on a sense of cooperation. In these days another factor which gave deathblow to guild system was the invention and use of big machine and introduction of sophisticated techniques of production.

2.3.3 Domestic System\(^4\)

After the decline of guild system, domestic system came into vogue. This system was a kind of capitalism. As far as the method of production was concerned, it was not much different form that of guild system. However, under domestic system there was no place and no role for various guilds and trade associations. Under domestic system a head of family who normally was a master craftsman controlled the entire production and everything was under his personal ownership. The head of the family used to provide for the raw material and also the manufactured goods. All processes or stages of production were under his individual control and subversion. Under this system the craftsmen had not much freedom. The system is to be seen today in the form of cottage industries. It was again the role of middleman and the moneylender, which ruined the domestic system. The head of a trade in domestic

\(^4\) Ibid. p.4
system required from time to time extra funds for the purchase of the raw material. This extra amount came from the moneylender and he usually exploited the opportunity to the fullest. Besides, mechanization of industry rendered this system obsolete and economically non-viable. The capitalistic by investing huge amount into industry and mechanizing it to the hilt completely ruined the domestic system. Thus, the domestic system came to an end and modern industry came into being.

2.4 Modern Industry:

Modern industry in India did not develop a continuation of the previous domestic or guild system as it did in the west and other social not had it much to do directly with the ‘Caste Panchayats’ country to what some writers has contended, modern industry in India represents in general as it does in other eastern countries a break with the traditional social economic institute of the past, which hand they remained would have undoubtedly retarded its development. Modern industry in this country began about the 1850-60 decade when the first cotton and jute mills were opened and a railway line was inaugurated of Bihar and Bengal railway and road transportations experienced subsequently a considerable growth which greatly influences the economic and social life of the country.

The advent of railways was decisive for Indian economic development the chronic transport bottle need of Indian industry was broken, the way was they proved for the development of large-scale industries. It was no accident that the development of the jute and cotton the coal and iron and plantation industrial progressed slowly before 1850 and occurred in quick succession therefore, transport in the life blood of industry and without railways it lacked the arteries through which to flow.

During this period the British power had become consolidated in India and thereby attracted large number of foreign entrepreneurs, particularly from England and Scotland who had discover in India a source of cheap labour and raw materials. Cotton mills were opened during this period in Bombay and Ahmadabad, jute mills proliferated on the Hooghly banks while woolen and lather factories become prominent in Kanpur. Mr. Justice Ranade said that, ‘it was at this period and during

6 Ibid
the first decade of the present century (or 20th century), that there was general tendency to make a greatly increased use of mechanical appliances everywhere7. The two world wars also accelerated the advance of Indian Industries. Iron and steels works started during the First World War while an industrial growth took place during the Second World War. The numbers of industries during the war increased by 3.475 and the paid up capital by Rs 100 cores8.

In spite of this advance, the traditional policy of the British rulers was to use delaying tactics with regard to Indian industrial development. Some industries were fostered, especially jute manufacturers and railways, but on the whole, it was a sluggish growth. By 1900 the total mileage of railway tracks in India was 25,000, which by 1928 was increased to 40,000. But even this moderate accomplishment was due to military and strategic considerations especially in the northern and eastern frontiers. The idea behind this resistance to the industrial development of India was to prevent Indian goods from competing with British goods, though most of the new Indian industries were in British hands and run by British management and capital9.

Nevertheless, due to the efforts of Jamshedji Tata and his successors, the pioneers of modern industrial development in India, in 1911 the Tata Iron and Steel Works were completed in what is now Jamshedpur, giving thereby an added impetus to Industry. But this was not accomplished without great difficulties and was also too short of what the country needed10.

But it was during the First World War, that Britain realized how dearly it had to pay for this policy, when the Germans and their allies preventing British goods and resources from reaching India, and Indian raw materials from being sent to the metropolis cut the normal trade routes. The outcome of this was that the Indian continent was left to itself without the possibility of utilizing its own means with the consequent hardships to the population, danger to the commonwealth, and difficulties to the imperial army then operating in India. The reaction after the war against this state of affairs brought about spell of freedom and a comparative relaxation of controls. But the irony of the situation was that while the growth of industry, which between the two World Wars was taking place everywhere, could not be halted in

7 Ibid p.20
8 Ibid p.20
9 Ibid p.21
10 Ibid
India, the policy of restriction adhered to by the British Raj only succeeded in unnaturally retarding this development. Had better counsels prevailed and had Britain accepted India as a partner in industry, and not as a competitor, not only the history of India but that of Britain also, and probably of the whole world, would have been quite different from what it was especially for the developing countries of the East¹¹.

Yet another World War seemed to have been needed in order to make the ruling powers see things in their proper perspective; but the vision came too late. “It was not until the Second World War that were factories started in India for the manufacture of spinning ring frames and looms or even such simple items as pickers, bobbins, and starch, all of which are required by an industry which had been in operation since 1855”¹².

2.5 Industry and Independence:

Whatever encouragement was given industry during the war periods, the then ruling power had to contend with the difficulties created by the war itself, especially in the East. The result was that two years after the war, on 15 August 1947, the Indian tricolor, the symbol of freedom and independence, was a prelude to the only genuine industrial revolution which India has so far experienced and which was to leave its mark on the nation for many years to come, not only in economic and social fields, but also in the political and cultural spheres.

Without going into a description of the industrial growth during this period it may only be mentioned here that while the capacity of the traditional industries increased about 25 per cent in a period of five years ending in 1953, that of modern industries like motor, diesel engines, batteries, transformers, radios, etc, experienced a growth of over 100 per cent in the same period. Since then, other capacity and output have been increasing at a proportionate pace. Furthermore, the general indoor of industrial output in 1951 rose to 117.4 as compared with 100 in 1946; and in 1960-61 it experienced a further rise up to 194 taking the index for 1950-51 as 100. During this period a number of institutions and agencies like the Industrial Finance Corporation and the State Finance Corporation were established in order to help the growth of industry¹³.

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¹¹ Ibid. p.22
¹² Ibid
¹³ Ibid p.23
One of the most important innovations in the industrial field after Independence has been the introduction of the Five Year Plans and the direct participation by the government in industry as expressed in the “Industrial Policy Resolution” of 1948. Since then the nation has been commutated to a mixed economy or a balance between the public and private sectors, though the balance seems at times to be upset in favour of the former. This dual approach to industry became more effective when in 1956 the “New Industrial Policy Resolution” was published. According to this, industries were divided into three categories A, B, and C. Under category A fall those industries, which only the government can handle. Some of these are atomic energy, electrical, iron and steel and others, Category B comprise those industries which, though still in private hands, may be progressively taken over by the state, as road and sea transportation, machine tools, aluminum, chemicals including plastics and fertilizers, Ferro alloys and certain types of mining. Category C comprises the remaining industries and is left to the private sector\(^\text{14}\).

Whatever the theoretical implications of these provisions may be – Whether India is a welfare state, a social democracy or a socialist state-the fact remains that it is still a mixed economy in which the public and the private sectors have come to stay and work together, not without occasional difficulties and frictions. This state of affairs seems to be in consonance with the modern world trends where state intervention in the economy is taken for granted, while private enterprise, in a greater or lesser degree, still remains the most traditional and authentic expression of the direct participation of the citizens in the economic life in the country In fact, both types of industry are expected to share proportionately in the social and economic development of country.

2.6 Information and Technology (IT) Industry\(^\text{15}\):

Information Technology (IT) is the industry, which through the use of computers and other sporting equipment help in the spread of knowledge. The term information technology includes computer and communication technology includes computer and communication technology along with associated software.

\(^{14}\) Ibid  p.24

Information technology for some time was used as synonymous to computers, but with the rapid advancement in various information delivery system such as Radio, TV, Telephone, Newspapers, fax and of course computer and computer networks information technology refers to the entire gamut of media and devices used to transmit and process information for use by various target groups in society, IT has, therefore been rightly termed as Information and Communication Revolution.

With advancement in information technology information is being regarded as the fourth factor of production, along with the land, labour and capital. Information has therefore, become an important and distinct input in production, thus along with three sector model of primary, secondary and tertiary industries, a fourth sector information related industries has emerged. Information is therefore used as a raw material of knowledge just as iron is a raw material for machinery thus, according to Law (2000), ‘the activities of generating, processing, transmitting, dissemination, sponging, archiving and retrieving information constitute information industry.’ The activities of generating processing, transmitting, disseminating, strong, archiving and retrieving information constitute ‘information industry.’ The information industry has thus pervaded a wide range of industries, viz. manufacturing, education entertainment, defense, trade, communications, etc.

In the knowledge economy, the raw material that matters is intellectual rather than physical, Law, therefore states; ‘the knowledge economy implies shift in the geographical center from raw material and capital equipment to information and knowledge, especially in education and research centers and man-made brain industries. The knowledge economy depicts the automation of labour intensive manufacturing and service activities as well as growth in new service industries such as health care, distance education, software production and multimedia entertainment.’ The pervasive influence of information technology is so strong that there is no sphere of human life in which it is not able to make a rich for itself.
2.7 Structural Changes and Growth in India\textsuperscript{16}:

Economic growth in post-Independence India has certainly seen several turns and twists. Accordingly, several phases with distinctive features in terms of rates of growth and structural changes can be identified. It is, however, not very meaningful to highlight short-term fluctuations in an analysis of the growth and structural changes of an economy over a long period of about six decades. At the same time, it is also of neither factually realistic nor analytically meaningful to divide the entire period just in two parts, pre and post-reforms, as is often done in most of the recent studies and analysis of India’s economic growth. The year 1991, when economic reforms were introduced, is seen as the sole turning point, providing a break from the low growth to high growth and dividing the post-Independence economic history into two clear phases: the pre-reform ‘dark’ phase and the post-reform ‘bright’ phase.

Such a simplistic description of India’s economic experience can easily be questioned on the basis of historical facts. A major break in history of economic growth in India occurred soon after Independence. An economy which had virtually stagnated over the past half century, growing at about 0.5 per cent per annum, started growing at over three per cent from early 1950s. State directed economic planning; presently a much maligned initiative was the reason for this turning point. Growth rate averaged to 3.5 per cent euphemistically called the Hindu rate of growth, over the next three decades though it saw a deceleration in the later part of the period, 1965-1981. The next break in terms of growth occurred in early 1980’s, when growth rate of GDP accelerated from around 3 to 3.5 per cent in previous decades to between 5 and 6 per cent. In this respect, introduction of economic reform in early 1990’s was not a ‘break’ as the growth rate in the post-reforms 1990’s was not significantly higher than during 1980’s. Growth rate, in fact, slowed down in the early years of 21st century, but significantly picked up after 2004. The period since 2004, even after accounting for slow down during financial crisis in 2008-09 represents a distinctive phase of high growth in the post-reforms period. Structural changes as

reflected in the changes in the shares of agriculture, industry and services have broadly followed the same time pattern as the changes in growth rate but the contents of change have varied from period to period. No doubt, the share of agriculture has continued to consistently decline over the past six decades: from 57 per cent in 1950-51 to 40 per cent in 1980-81 to 24 per cent in 1995-96, to about 16 per cent in 2009-10. Industry and services have both increased their share, but at different pace and in different periods. Accordingly, their relative contribution to the growth of and importance in aggregate GDP has varied over different periods. On the basis of the observed patterns of growth and structural changes, economic growth in post-Independence India can be divided into the following four phases, each with its distinguishing features.

**First Phase - Independence to Mid - 1960s:**

This period saw a significant acceleration in the growth rate over the past decades marked by a high growth of industry, and a significant structural change with a large increase in the share of non-agricultural sector, especially of the industry in the national output.

**Second Phase - Mid - 1960’s to 1980:**

This period was marked by a slower growth of GDP, accompanied by a deceleration in the growth of industry, a slower pace of structural shift from agriculture to non-agriculture and a very small increase in the share of industry.

**Third Phase - 1980 to early 1990s:**

This period saw a sharp acceleration in growth rate, mainly contributed by services. Structural changes were also swift, with a large decline in the share of agriculture, but very little increase in the share of industry - services picking up the major share of the shift.

**Fourth Phase - Easy 1990’s Onwards:**

Growth continued at similar rate as 1980’s, but declined during 2000-2004. Structural changes continued at an accelerated pace with share of agriculture sharply declining and services emerging as the major sector and with very small increase in
the share of industry. Within this phase, period 2005 - 10 has seen a sharp acceleration in growth rate, despite a slowdown in 2008 - 09. Share of agriculture has declined from around 20 to 16 per cent, that of services has increased from 54 to 59 per cent and that of industry has stagnated. Thus in the first three decades, rate of economic growth followed that of the industrial sector. Since 1980’s it has been primarily services led. The share of industry has remained at almost the same level (around 25 per cent) since 1987 - 88. Within industry, share of manufacturing has been constant at 15 per cent; construction has increased its share mainly at the cost of mining. Contribution of manufacturing to growth of non-agriculture GDP was estimated to be 24 per cent during 1950 - 51 to 1979 - 80 and only 18 per cent during 1979 - 80 to 2007 - 08. Construction has seen a small decline in its contribution from 10 to 9 per cent. Industry including construction saw a decline in its contribution from 40 per cent in earlier period to 31 per cent in the letter.

Acceleration in the growth of services was led by transport and communication and financial services since 1980: but trade, also joined the fast growing group in the later part of the period, 1995 - 96/2007 - 08. In community, social and personal services, public administration and defence saw some decline but other services a sharp acceleration in growth rate. Overall, transport and communication has seen a large jump in their share, trade and financial services some increase and community, social and personal services a slight decline in their shares during 1993 - 94/2009 - 10. It may be noted that these changes coincided with the increasing importance of the organised private sector and declining importance of the public sector which had contributed to the faster growth of services in 1980’s.

2.8 Micro, Small and Medium Enterprises in India¹⁷:

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization

of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socioeconomic development of the country.

Khadi is the proud legacy of our national freedom movement and the father of the nation. Khadi and Village Industries (KVI) are two national heritages of India. One of the most significant aspects of KVI in Indian economy is that it creates employment at a very low per capita investment. The KVI Sector not only serves the basic needs of processed goods of the vast rural sector of the country, but also provides sustainable employment to rural artisans. KVI today represent an exquisite, heritage product, which is ‘ethnic’ as well as ‘ethical’. The Sector has a potentially strong clientele among the middle and upper echelons of the society.

Performance of Micro, Small & Medium Enterprises (MSME) sector is assessed by conduct of periodic All India Census of the Sector. The latest census conducted was Fourth All India Census of MSME. The Census was conducted with reference year 2006-07, wherein the data was collected till 2009 and results published in 2011-12. Fourth All India Census of MSME is the first census conducted post implementation of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Prior to implementation of MSMED Act, 2006, the sector was defined as per the provision of Industrial Development and Regulation Act, 1951 as Small Scale Industries (SSI) sector and its constituent, tiny and auxiliary units as per periodic revision of criteria for defining such units. The Third All India Census of SSI was conducted with coverage and concepts as prevailing during 2001-02. The scope and coverage of the MSME sector were broadened significantly under the MSMED Act, 2006, which recognised the concept of “enterprise” and to include both manufacturing and services sector, besides defining the medium enterprises under the MSME sector. Thus, the entire non-agricultural sector of the economy was brought under the coverage of MSME sector subject to the revised criteria prescribed for defining Micro, Small and Medium Enterprises separately for manufacturing and services sectors.

The census adopted different methodology for Registered and Unregistered Sectors. While complete enumeration of enterprises was adopted in the Registered Sector, sample survey was resorted to in the Unregistered Sector. However, activities under wholesale/retail trade, legal, educational & social services, hotel & restaurants,
transports and storage & warehousing (except cold storage) were excluded from the coverage of definition

2.8.1 Definition:\textsuperscript{18}

Small Scale Industrial Unit (SSI):

An industrial undertaking in which the investment in fixed assets in plant & machinery, whether held on ownership terms, or on lease, or by hire purchase, does not exceed Rs.100 lakh as on 31-03-2001 is to be treated as a Small Scale Industrial Unit.

Micro, Small and Medium Enterprises (MSME):

MSME Sector consists of any enterprise, whether proprietorship, Hindu undivided family, association of persons, cooperative society, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industry Development & Regulation Act, 1951 and other enterprises engaged in production and rendering services, subject to limiting factor of investment in plant and machinery and equipments respectively as noted below:

For manufacturing sector, an enterprise is classified as:

\begin{itemize}
\item[a)] Micro enterprise, if investment in plant and machinery does not exceed twenty five lakh rupees;
\item[b)] Small enterprise, if investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; or
\item[c)] Medium enterprise, if investment in plant and machinery is more than five crores rupees but does not exceed ten crores rupees;
\end{itemize}

In case, enterprise is engaged in providing or rendering of services, it is classified as:

\begin{itemize}
\item[a)] Micro enterprise, if investment in equipment does not exceed ten lakh rupees;
\item[b)] Small enterprise, if investment in equipment is more than ten lakh rupees but does not exceed two crores rupees;
\end{itemize}

The definition over the years has been changed by the Government of India.

\textsuperscript{18} Ibid
2.9 Factors Affecting Growth of Packaging Industry in India:

In the recent times, the packaging industry in India is growing fast, especially after the globalization and economic reforms. The government of India introduced the structural changes, which brought the positive economic impact. The industrial growth has reached to remarkable position. In the similar position, the packaging industry in India is also growing. In this regard, Indo-Italian Chamber of Commerce & Industry (2008)\(^{19}\) has published one report, where the report explores the factors affecting the growth of packaging industry in India. The report explains as below.

2.10.1 Urbanization:

Modern technology is now an integral part of nation's society today with high-end package usage increasing rapidly. As consumerism is rising, rural India is also slowly changing into more of an urban society. The liberalization of the Indian economy, coupled with globalisation and the influx of the multi-nationals, has improved the quality of all types of primary and secondary packaging. Also industrialization and expected emergence of the organized retail industry is fuelling the growth of packaging industry.

2.10.2 Increasing Health Consciousness

As people are becoming more health conscious, there is a growing trend towards well packed, branded products rather than the loose and unpackaged formats. Today even a common man is conscious about the food intake he consumes in day-to-day life.

2.10.3 Low Purchasing Power resulting in Purchase of Small Packets

India being a growing country, purchasing power capacity of Indian consumers is lower; the consumer goods come in small, affordable packages. Apart from the normal products packed in flexible packaging, the use of flexible in India includes some novel applications not usually seen in the developed world. Products

like toothpaste, toothpowder, and fairness creams in laminated pouches are highly innovative and are not used elsewhere. Another typical example of such applications is tobacco and betel nut-based intoxicants and mouth fresheners catering to unique Indian taste.

2.10.4 Indian Economy Experiencing Good Growth Prospects

The Indian economy is growing at a promising rate, with growth of outputs in agriculture, industry and tertiary sectors. Overall economic growth has proved to be beneficial for the consumer goods market, with more and more products becoming affordable to a larger section of the population.

2.10.5 Changing Food Habits amongst Indians

Changing lifestyles and lesser time to spend in kitchens are resulting in more incidence of eating away from homes resulting in explosive growth of restaurants and fast food outlets all over the country. Indians are trying out newer cuisines and also purchasing similar food items for their homes. Therefore, the review period has seen new products like pasta, soups, and noodles being launched in India, fuelling the growth of packaging industry in India.

2.10.6 Personal health consciousness amongst Indians:

With growing awareness towards contagious diseases like AIDS and other STDs, awareness towards usage of contraceptives and disposables syringes have increased the demand for packaging required for the same.

2.10.7 Rural Marketing Pushing Demand for Sachets:

India comprises of a big rural market and there has been growing focus on rural marketing, whereby manufacturers are introducing low-priced goods in smaller pack sizes. Low priced sachets have proved to be extremely popular in smaller towns and villages, where people do not prefer to buy larger packs due to financial constraints.
2.11 Industrial Policies in India:

After the Independence, the government of India had various challenges to lead the nation towards the development. Agriculture and Industry, these two sectors were equally important for the nation. The government of India declared various policies for the development of industries. The researcher has briefed here some of the industrial policies.

2.11.1 Industrial Policy Resolution (1948):

After independence this was the first policy resolution declared and adopted, this policy aimed at promoting a rapid increase in the stranded of living of the people in the country by optimum exploitation of the available resource in the country and to provide greater employment potential this policy was more or less based on the importance of government role and the state dominate participation in the field of Industrial development. The role of private sector was also recognized and this sector received a share in the industrial organization. The role of private sector was also recognized and this sector received a share in the industrial organization. The industries were classified under four pats namely,

a) State monopoly Industries.

b) Basic and key industries of national importance.

c) Private sector industries subject to Governmental control and lastly.

d) Completely private sector industries.

2.11.2 The Industrial Policy (1956)

The first five-year plan started in April 1951 came to an end in 1956. The “Directive Principles” enunciated by the congress laid stress on a new policy for the country and that was a ‘socialistic pattern of society. All these changes add developments necessitated for a new policy that came in to operation from 30th April 1956. The main objectives of the policy are as below;

a) To accelerate the rate of economic growth.

b) To expand public sector developing heavy industries.

c) To create more employment opportunity.

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20 Narayan B.N. (1997); Industrial Economics, Anmol Publication, New Delhi pp. 239-251
To raise the living standards of the people.

To improve the working conditions of the labour class.

To bridge the economic gap between the rich and the poor.

To remove disparities in wealth and incomes

To expand cottage, village, agro-based and small scale industries and provide greater infrastructure.

To remove regional imbalance by improving backward areas etc.

2.11.3 The Industrial Policy Resolutions (1977):

The 1977 policy resolution laid more emphasis on the small scale and village sectors to eliminate the distortions impairing the economy. The objective of the policy could be summarized as follow;

a) The small scale sector providing self employment to be encouraged. The tiny sector with an investment of Rs 1 lakh in equipment situated in towns and Rs 10 lakhs in ancillaries were to be classified separately.

b) Basic industries, capital goods industries and high-tech industries were to be in large scale section.

c) The large business houses, which have grown disproportionately compared to the resources generated by them, internally were to be monitored. The policy was against monolithic supremacy of the large business houses. The policy insisted upon these units to relay on their own resources rather than one the financial institution.

d) The policy emphasized on invoking the provisions of the MRTP act at curbs the monopolistic tendencies and concentration of economic power.

e) Further, the policy stressed on professionalism of management rather than family-owned enterprises.

f) The policy for the public sector was in appreciation of their effort to produce essential consumer goods rather than always concentration in the production of importance and strategic goods.

2.11.4 The Industrial Policy Statement (1980):

The policy resolution was announced by the congress Government, which came to power, certain socio-economic objectives were enshrined in this policy statement, the main objective were as follows;
a) Capacity utilization of resources to increase production received priority.
b) Removal of distortions to achieve regional balance was considered highly imperative;
c) The promotion and development of agro-based industries to receive priority;
d) The export promotion program and import substitution sectors to receive high encouragement.
e) To educate consumers against low-quality products and high process. The policy statement emphasized on the equitable distribution of investments in the urban and rural areas;
f) The policy recognized the importance and implementation of professionalism in the public sector to achieve the targeted growth development of management cadres in areas of operation finance, marketing, and information system.
g) The policy statement realized the need to develop backward areas and proposed to set up a few nucleus plants in each backward district to develop small scale and ancillary units through the upgradation of technology skill.
h) It was decided to build up buffer stocks of essential raw materials needed but small scale units and as well as decentralizing the market process for these products.
i) In the case of sick units, it was proposed to identify them well in advance and take necessary steps either to merge them with large scale units wherever possible or to find out early remedial measure to avoid it based on the principle “prevention is better than cure” The policy statement emphasized on implementation of “Dispersal of industries principle” avoid concentration of industries in the urban and metropolitan areas, as they would breed socioeconomic problem and bring about ecological imbalance.

2.11.5 The Industrial Policy Resolution (1991):

With the new Government assuming power on 24th July 1991, the policy statements underwent a fundamental departure from the earlier statements. The scrapping of Industrial Licensing and Registration Policies; end to monopoly law, opening door to foreign investment and collaborations; classification of the role of public and private sectors; promotion of Indian Entrepreneurship to augment productivity and employment; higher investment to R&D to bring about a change in
the pattern of production for Indian manufacturing units; inducing competitiveness in industries to help the common man emphasizing the need to run public sector undertakings (PSUs) on commercial basis; enforcing labor-management sound relationships; linking the inhuman economy with the Global Market and providing incentives to develop backward areas are some of major issue given prominence in the policy statement.

In order to achieve the above proposals and objectives, it become necessary for the government to initiate certain drastic measures in the direction of Industrial Licensing; Foreign Investment; Monopolies and Restrictive Trade Practice Act, Memorandum of Understanding; Foreign Technology Agreements; policy toward public sector and removal of constraint and restraints in the process of production and exports.

Thus, the 1991 policy resolution comprises of various measures to augment Industrial Productivity; Industrial Entrepreneurs opening the door of the economy for international investors, extension of liberalization policy and reforms; programmers to step up production standardization of the quality of products; export promotion; standardization of the quality of products export promotions; import cuts and substitution generation of employment potential; bridging the economic gap between the haves and have-not poverty eradication; improvement in the standards of living of the people and bridging the gap between supply and demand etc.

Since mid 1991, the economic liberalization programmers have attracted international investors form East and West in various productivity programmes. It is a great historic attempt made by the Government for India’s participation in the global economy. India should no longer be a parasite in the economic front. If economic democracy has to succeed to make the country self-reliant, self-sufficient and self-generation a staunch policy of economic liberalism would be absolutely essential. In this direction, the 1991 policy is a sure palliative measure, the 51 percent equality participation is a remarkable step, but it would be necessary to keep a close vigilance in its operation, India has to shake-off its traditional outlook and swim with the current an appraisal.

The economic package released and the concept of economic liberalization is most welcome. The various memorandum founder-standing and collaborations that have entered into would throw abundant light on the engines of Indian economy to march abreast of times, when advanced and highly development nations are flying in
silver arrow planes India cannot travel in a bullock-cart age. The policy of economic isolationism has no relevance in the space age. The sick industrial units have to be amalgamating with the other progressive units.

In spite of these merits and tremendous advantages, the policy decision suffers from certain limitations; political stability security, solidarity safety and integrity are essential for the implementation of reforms, in total. But the present political picture portrays a dismal look. The various scams, corrupt practices bribery at all level which are not only economic but social evils have to be totally eliminated and uprooted otherwise, there is great danger for the economics of county, “corruption has become of late a way of life” endangering the economic and social fabrication of the country, the liberalization programmed could be miss-used but the industrial magnets and influential politicians. Under the liberalization programs the private sectors as assumed greater role; new project in private sector are being set up either under M.O.U (Memorandum of Understanding) or with foreign assistance and collaboration. Power generation, petroleum refining and petrol-chemicals, Telecommunication equipment industry; transport development are some of the important units in the private sector, they have received approval. Even the public sector has been made viable efficient and revamped, in view of the top-management being too costly, the public sector units are asked to reduce their expenditure in the direction attempts are being made to co-ordinate both fiscal and monetary policies to achieve growth with stability.

In this direction, the new policy has provided ample positive service to reduce the gestation period, even the bureaucracy has been made to realize the importance of speed industrialization to increase productivity, employment and to fill up the gap between supply and demand. If liberalization policy has to achieve the predetermined objectives and targets, it is absolutely necessary to remove further all constraints, restraints and more deregulations.

2.12 Foreign Direct Investment in India:

The Government of India introduced the structural adjustments in 1991, under which number of policies have been brought out. They are also stated as new economic reforms. The economic reforms have been introduced in number of sectors, which have been evaluated by many experts. The reforms have brought an expansion
of economic activities in India. The New Economic Reforms have number of good results; it also has brought number of adverse effects in economy.

Bilgrami S.A.R (2002)\(^{21}\) has argued about the impact of new economic reforms on Indian economy as below-

“The share of the merchandise trade (export & imports) in GDP has increased by more than 4 per cent from 15.5 per cent in 1990-91 to 19.98 in 1995-96. Foreign direct investment which was almost negligible before 1991 has not become more than 1 billion dollar per year. The stock of foreign exchange reserves has increased from less than 2 million dollars in 1991 to about 20 million dollars in 1995-96. India’s FDI was 68 million dollars in 1991-92, which reached to 1314 million dollars in 95-96.”

The post-reform period has brought number of positive and negative changes. This paper deals with the inflow of foreign direct investment after 1991.

In the post-Independence period, Indian industries have developed with number of limitations, one of that is, technical limitation. The policy of the Government towards the foreign investment was rigid. The protection was given to Indian industries, hence the foreign investment was allowed with number of restrictions. As the globalization came in India, the rigidity of foreign investment policy has been reduced to greater extent. Except exceptional cases, in large number of industries, the foreign investment has been allowed freely. The flexible policy of the government of India has attracted the foreign investment. Foreign Direct Investment (FDI) has been most important and crucial factor in the economic growth of India, especially after the globalization. The free entry policy is attracting the FDI inflow in India. Along with the FDI, the modern technology is also entering in India. After the globalization, the technological improvement has promoted the economic growth. The inflow of FDI also has increased the employment opportunities and the standard of living in India. The significance of FDI was realized by the Government and hence the liberal policy was adopted. Therefore, the FDI plays a central role in the economic growth, especially in case of India. Present paper gives a trend analysis to the inflow of Foreign Direct Investment with reference to India.

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In terms of actual inflow of FDI in India, after 1991, the position seems to be improving. In the year 1991, the total inflow of FDI was Rs. 3,534 Millions, which increased to Rs. 18,619 Millions in the year 1993. This increase was around 525 per cent. The inflow further increased to Rs. 132,692 millions in the year 1998 and Rs. 161, 344 millions in the year 2001. The attractive policy of the government and the expanding the market in India has encouraged the inflow. However, after 2001, the inflow of FDI, compared to earlier year has decreased to some extent. i.e. in the year 2003, the FDI was Rs. 95,640 million, whereas, in the year 2005, it was Rs. 94, 814 million. There have been ups and downs in the actual inflow of FDI. These slumps are occasional and determined by the economic situation in a domestic country. Except these negligible fluctuation in the inflow of FDI, the trend of FDI in India show positive situation. The total inflow from the year 1991 to 2005 was Rs. 1332,489 millions  

According to the Annual Report of Ministry of Commerce and Industry (2014), the trend of FDI in the recent period is highly positive. According to the report “Foreign Direct Investment (FDI) flows to India stood at US$ 22.2 billion during April-December 2012, which is 22.1 per cent lower than US$ 28.5 billion during April-December 2011. Up to December 2012, net FII (Foreign Institutional Investments) flows amounted to at US$ 16.0 billion (US$ 2.7 billion during the corresponding period of 2011-12). FII flows in recent months witnessed improvement, reflecting the impact of various reform measures announced by the Government”.

The industry-wise classification of total inflow of FDI (from 1991 to 2002) shows that, the highest FDI was in the electrical equipment and software industries (Rs. 110908 millions), which shares 10.6 per cent of the total FDI. The second highest FDI was in transportation industry (Rs. 98994 millions), which shares 9.4 per cent of the total. The Telecommunication was at third place by sharing 9.4 per cent of the total or Rs. 98763 millions. Other important sectors are ‘service sector’ (FDI Rs. 89762 millions), Fuel Sector (Rs. 65938 millions), Chemicals (Rs. 53993 millions)

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etc. The inflow of FDI could be seen in 45 sectors. The lowest inflow of FDI can be seen in Soaps, Cosmetics and Toilet Preparations (Rs. 2417 million). The trend analysis shows that, the inflow of FDI in India has been increasing and important. This has promoted the industrial growth in India. It is true that, the inflow depends on the profitability in the industry; however, the government policies are equally important. Ultimately, the economic growth of a particular industry can be influenced by the inflow of FDI. The Software Industry, Telecommunications and Transportation industry, are growing fast, which has contributed much more to the economic growth of India.

The inflow of FDI has benefited Indian economy to a greater extent. The industrial growth or economic growth in selective industries is a result of FDI. These industries have created more employment opportunities. This also leads the regional development. ‘Delhi’ ‘Maharashtra’, ‘Karnataka’, ‘TamilNadu’, ‘Andhra Pradesh’ etc. have benefited tremendously. Therefore, the FDI inflow must be encouraged. The Government of India is doing this. However, very recently, the fluctuations in the economy are increasing. The global crisis has been more serious in the present period. As a whole, inclusive growth is not possible by FDI, since the structural arrangements in India is typical. Even today, majority of Indian population lives in rural area, which is away from the orbit of constructive development. There are also some segments of the society, which can be stated as weaker sections, also are away from such development. Therefore, it can be stated that, along with FDI, the role of public sector is most important.

2.13 Conclusion:

The Indian economy has moved through the globalization and economic reforms, which has brought the promotion of industries, especially Information Technology industry. Many other factors are responsible for the promotion of packaging industries. As a whole, the packaging industries have greater opportunities in the future.

\[24\] Ibid  pp.43-44