Industrialisation may be defined as a process of economic growth. It affects structural changes mainly in respect of resource utilisation, income and employment generation, foreign trade and induce social changes. Industrial development in under-developed countries has become one of the important areas of economic development. It is an effort in which the underdeveloped countries try to solve their problems of poverty, insecurity, over population and backwardness. Gunnar Myrdal says, "Manufacturing industry represents, in a sense, a higher stage of production. In advanced countries the development of manufacturing industry has been concomitant with these countries spectacular economic progress and rise in levels of living, many of its products and indeed almost symbolic of a high living standard. Not at least in the underdeveloped countries, the productivity of manpower in industry tends to be considerably greater than in the traditional agricultural pursuits. In countries like India and Japan with a high ratio of population to natural resources and in particular to land manufacturing industry represents virtually the only hope of greatly increasing labour productivity, the raising level of living; however, much is done to improve agriculture. But even in countries where the population pressure is lower - as for example in many Latin
American countries - the successful exploitation of a more favourable relation between population and natural resources, requires mostly the growth of manufacturing industry."

In a developing country like our's shifting of economic activities from agriculture to industry has gradually taken place in the recent years. The proportion of industrial output and industrial development increases gradually. The productivity of industrial workers also goes up. Similarly, the structure of Industry itself changes from consumer goods to capital goods. In the developed countries there is a great emphasis on heavy industries and basic infrastructural facilities like - power and transport. Once the infrastructure is laid down strongly, the industrial growth accelerates without facing any problem.

In almost all the developing countries to-day, the industrialisation programme is minutely planned by the Government. The Government has to plan, initiate and implement the process of industrialisation. It also has to start and

accelerate its growth and once a high level is reached the Government has to maintain the tempo of industrial growth.

In order to set up industries in backward areas of a country our Government has initiated a new package of measures. Generally the backward areas are classified as ---

A. Zero Industry District or No Industry District --- such district numbering 118 exist in the States like --- Madhya Pradesh, Orissa, Assam, Jammu & Kashmir, Arunachal Pradesh, Himachal Pradesh, Nagaland, Meghalaya.

B. Districts numbering 55 currently are eligible for central subsidy excluding district in category "A".

C. Concessional Finance district numbering 246 excluding those in category "A" and "B".

The Central Ministries and the State Governments are urged to provide adequate infrastructural facilities in such districts. Fiscal concession like --- tax holidays and subsidy are being provided to promote speedy industrialisation in the areas, so that they become a part of industrial map in the country. Under the new scheme the Central Government investment --- subsidy for the above three categories will be ---

Category "A" - 25% of capital investment subject to a maximum of Rs. 25 Lakhs.
Category "B" - 15% of capital investment subject to a maximum of Rs. 15 Lakhs.

Category "C" - 10% of the capital investment subject to a maximum of Rs. 10 Lakhs.

In addition to central subsidies concessional finance is also to be available to the units located in these districts. To speedup ancillarisation in these districts certain industrial units have been reorganised as nucleus plan. Such plan will get some additional incentives.

In a country like India, which is primarily an agricultural country and where the majority live in villages, the Government is committed to promote the growth of village and cottage industries. Moreover, the ancilliary units as feeder to big size industrial units may also be promoted within the small scale sector in India. As per our industrial policy, we have three specific types of units such as ---

1. Tiny Units: These are industrial units with fixed capital investment limit of Rs. 5 Lakhs.

2. Small Units: These have investment limit of Rs. 60 Lakhs.

3. Ancilliary Units: These have investment limit of Rs. 75 Lakhs each and above these limits are large and medium scale industries.
The most of these units are rural based and technically backward, they constitute village and cottage industries including village and khadi products.

Development of Industries in India:

The industrial revolution is the basis of industrial development of any country of the world, through the process of many evolutionary steps over a long period of times. As the process of industrial evolution is always backed by some influential factors which are caused by economic necessities and naturally weaved the industrial evolution into the present State. The industrial evolution always passes through reviewing the past performances and activities of industrial development in all spheres of activity which help us know the roots for the present. An analytical study of the present will naturally help indicate the future trends of industrial development to be achieved.

India is primarily an agricultural country. The real industrial development in India is a recent development. The Indian economy during the early period was very prosperous and self-sustaining following its sound agriculture base, as the country had been predominantly an agricultural country which is seen till-to-day.
In the self-sustaining economy of India, industry became a part and parcel of the Indian way of living. During the early period the wants and necessities of the people were limited and these were met up with the help of well-built town - village industrial structure and also the limited number of population which were concentrated on river basins was well assisted by the nature.

The talents of the indigenous people in the early period of times were seen very sound in the manufacturing of some crafts articles only with the help of indigenous equipments and technique to meet the demand of the people of our country and even abroad due to its better quality and cheaper prices.

The Indian handicrafts flourished with the development of the society. It was found that, in the vedic age, the artistic crafts flourished as an art and injected into the texture of Indian way of life, "It was mentioned in the great epic Ramayana, saying that the craftsmen were servicing the industry will full hearted co-operative principles. As it is cleared from the fact that, the Indian handicrafts industries were as old as the Indian civilisation, and was nurtured by the craftsmen as part of their duty towards the society". II

The Indian handicraft industries also developed and flourished under the Royal patronage during the regime of the Mogul period and with the assistance of some organisations like - "Kharkhan's, "craft Gold", etc. which were setup to provide infrastructural facilities to the craft artisans.

From the time immemorial till the early years of the eighteen century, India was regarded as the queen of international trade due to the better quality of handicraft products. The market of Indian handicraft products got momentum in international arena. Besides exporting handicraft products the Indian skill and master craftsmanship were also exported abroad. The principal items which were exported includes --- jewels, perfumes, textiles, Ivory goods, etc.

In the early eighteen century the Indian handicraft industries started declining due to some hostile policies of ruling British Government in India. The market of Indian handicraft products and its popularity slowed down both in National and International level during the British rule. But after the independence, our Government has been taking a series of remedial measures and other developmental efforts in order to revive and further promotion of Indian handicraft industries.

In recent times our Government is endeavouring for the promotion of handicraft sector by initiating a series of
promotional and developmental incentives from time to time under different plan programmes.

Modern Industries:

The emergence of modern industries in India was conceived since the early part of the eighteen century and just after the coming of the British in India, the British Government took initiative through the East India Company for setting up of some modern industries and factories particularly in plantation sector. They started plantation of Indigo, coffee and tea plants on Indian soil. With the setting up of modern industries the British Government started the exploitation of Indian resources by supplying the same for promotion of their own industries and factories in Great Britain.

By the end of the 19th century, a number of factories were set up which produces some traditional items like tea, coffee, Jute, cotton, etc.

The outbreak of second world war gave more impetus to the development of Indian industries. The production capacity of industries accelerated because of excessive war demands made by the allied nations on Indian products. The technological development was another influencing factor which assisted the setting up of some important industries in the field of ferro-alloys, Metal fabricating, Mechanical and chemical
industries, transport and electrical equipments, synthetic goods, etc.

But, after the war our country had to face severe economic crisis due to declining demand of industrial products and other political, economical and social drawbacks. Besides facing the adverse economic crisis after the second world war, our country had to grapple with many economical and political adversities due to partition of the country.

The overall industrial position of our country was conducive after partition. As out of total number of 12675 of industrial establishments India got 11,461 claiming 90.5% and 93% of total industrial workforce and also having some large-scale consumer and industrial goods industries with high magnitude, namely --- Jute, Iron & Steel, paper, etc. But after partition our country had to lose some important industries to pakistan, namely --- cotton textile, sugar, cement, Glass, chemicals, skins and hides, etc.

Before and during the second world war, India's position in international trade in terms of --- inflow of foreign capital, import and export of some important products in international market, was found satisfactory. In March 1946, India had satisfactory sterling balances of about Rs.17,330 million even after repayment of the pre-war sterling debts of
Rs. 4260 million and also having surplus credit balance of 1,150 million dollars being a member of the empire pool.

But soon after partition, India's position turned to opposite direction, India had to experience deficit balance of payment position, as the net dis-investment on current account raised to Rs. 2180 million in 1949 and the export trade of tea, grains and hides in general and jute manufacturing sector in particular declined by nearly 30 percent mainly due to loss of some fertile areas producing rawjute to pakistan. These are the main effects of partition on Indian industrial sector.

**INDUSTRIAL DEVELOPMENT POST INDEPENDANCE PERIOD:**

The process of industrial development in India after independence was started in a planned manner. The development programmes for socio-economic and industrial sector initiated with the launching of country's first five year plan in April, 1951 by the Indian planners. Keeping in view the urgent necessity for economic development in all sectors of economy, our country had to pass through a crucial phase. After the second world war and partition the overall economic condition of the country was distorted creating serious economic imbalances in many fields.

The process of industrial development has been a salient feature of Indian economic development since the
launching of the first five year plan. The Indian planners on the basis of Industrial policy Resolution of 1948 and 1956, undertook a series of industrial and economic development programmes under the five year plans through a concious, delib­erate, systematic and planned way.

The planners mostly laid stress on the growth and development of heavy industries as a base of industrialisation onthe basis of the industrial policy resolutions. The planners had also followed a strategy for the development and expansion of import substitutions industries with a view to reducing much dependence on import of goods and promotion of export based industries with a view to earning foreign exchanges for all developmental activities in the country. Similarly, during the plan period, importance was given to the promotion of basic and capital good industries considering their potentiality of growth. Due to the favourable structure of these industries in India, some development Schemes were undertaken for the growth of these industries in our country. As a result of which the production of Indian industries increased by five times over the last 30 years, which placed India into 10th position among the rest of the industrial countries of the world.

After launching of the five year plans the progress of industrial development has been expanding and diversifying in different spheres of industrial activity covering the consumer, intermediate and capital goods sector.
In India, emphasis on industrial development was laid from the second five year plan. However the rate of growth of industrial sector since 1951 till now is not satisfactory at all. The rate of industrial growth is fluctuating heavily from time to time. During the initial stage of industrial development the growth rate was satisfactory, but with the passage of time, the growth rate heavily fluctuated failing to keep the steady rate of growth of industrial sector, thereby indicating the slow rate of growth of industrialisation process in India.

The first plan laid top priority in agriculture sector and less priority in industrial sector. The overall industrial development under first five year plan was not satisfactory. Due to lack of adequate technical and managerial skills from abroad, lack of domestic demand and reduced export demand, the industrial sector could not function satisfactorily.

The second plan gave top priority to industrial sector based on the broad principles of Industrial policy Resolution of 1956. In order to have a solid industrial base, the plan laid stress for the development of some basic and heavy industries. The industrial progress and achievement was satisfactory with increased production of some important industries set up during the second plan period both under public and private sector.
The third plan was based on the broad principles of Industrial policy Resolution 1956. The plan laid stress on the setting up of basic capital and producer goods industries along with acquisition of skills, technological know-how and designing capacity in order to attain the targetted level of National income and employment. But overall progress and achievement under industrial sector in the third plan period was not satisfactory, because of two wars with China in 1962 and with Pakistan in 1965, lack of adequate foreign exchanges, lack of home demand, long gestation period in heavy industries. However, the productions of the basic capital and consumer goods industries were satisfactory in terms of their capacities and targets.

The Fourth plan was based on the Industrial policy Resolution 1956 by laying stress for the development of industries in the public, private and co-operative sectors. But owing to some basic problems like --- lack of adequate infrastructural facilities, suitable industrial Acts, proper designing and planning, operational efficiency, etc. the industrial development was not attained as per the target in plan period, inspite of undertaking a series of developmental programmes for the promotion of industrial sector as initiated by the Government. The industrial growth rate was only at 5% against the targetted rate of 8% during the fourth plan period.
Three Annual plans for the year 1974-75, 1975-76 and 1976-77 were framed out in order to overcome the short-term economic strains faced by the country. After the completion of three Annual plans, the planning commission launched the final fifth plan on 24th Sept. 1976. The progress and achievements under industrial sector in the revised fifth plan were not satisfactory in terms of growth rate of industrial production, which realised at 5.3%, much below the targeted growth rate. Apart from undertaking some industrial development programmes, the fifth plan undertook some measures for the growth of industrial sector, such as — delicensing of 21 industries, allowing 29 selected industries to go for utilisation of their installed capacity without any limit and allowing 15 engineering industries for automatic growth capacity at 5 per cent per annum.

Apart from launching various developmental programmes for the overall industrial growth and development in many respects, the sixth plan period did not see much of industrial development. The growth rate of industrial production reached only 5.5% against the targeted rate of 7%. The basic reasons behind the slow rate of industrial production were mainly lack of adequate infrastructural facilities, lack of organised efforts for increment of material intensity of production and capital out-put ratios.

The seventh plan laid stress for improvement in the production of industrial sector and as a result of which the
plan framed out some broad base strategies for the development of industrial sector in many respects. The overall industrial growth rate was satisfactory in terms of ___ the general index of industrial production was recorded at 9% against the target of 8% except for the year 1987-88, the growth rate of industrial production in manufacturing and electric sector was satisfactory. But the overall progress of industrial sector was not satisfactory during the seventh plan period due to ___ lack of industrial development activities in backward areas, rehabilitation of sick units, proper indigenisation of some sectors like -- electronics, automobile, etc. and adequate infrastructural facilities.

Keeping in view the low level growth rate of 2.5% in 1991-92 under industrial sector, the Indian planners framed out a series of industrial development programmes for the overall industrial development during the eighth plan period, such as-

1. Development of public sector undertakings for creation of more infrastructural facilities to industrial sector;
2. Top priority is given to the growth and development of village and small-scale industries;
3. To allow more areas for the private sector;
4. To increase capacity of production of some basic and important industries;
5. To attain the industrial production target at 8%.
6. to promote the export-oriented potential industries;
7. to allow 45 percent and 55 percent investment in public and private sector industries respectively;
8. the growth rate of production of mining and manufacturing sectors were estimated 8.12 percent per annum, and
9. to pay more importance to higher growth rate of production in industrial sector.

The Eight plan allocated Rs. 46,889 crores on industry and minerals, which claimed about 10.8% of the total plan outlay. The plan envisaged to achieve annual growth rate of 8% for the industrial sector. During the period from 1992-93, 1993-94 and 1994-95 the annual growth rate attained 2.3%, 4.1% and 8.0% respectively. The overall industrial production during April to October 1994-95 registered an increase of 8.0% supported by a growth rate of 8.3% in manufacturing, 7.7% in electricity and 6.2% in mining and quarrying.

The following tables show the GDP and Industrial growth rates from the period of 1992-93 to 1995-96; Sectoral Investment during the Eight plan (1992-93 to 1997-98); An overall view of Investment pattern in India Plans and the Share of public and private sectors in Gross domestic saving and Gross domestic capital formation (plan period averages).
G.D.P and Industrial Growth Rates From the period of 1992-93 to 1995-96

Source: State Bank Of India, Annual Report, 1995-96; p.No. 10
Table No. 2: Sectoral Investment During the Eight Plan (1992-93 to 1997-98).

(Rs. crores at 1991-92 prices)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Public</th>
<th>Private</th>
<th>Total</th>
<th>Share of public sector in total investment by sectors (%)</th>
<th>Sectoral Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture</td>
<td>52,000</td>
<td>96,800</td>
<td>148800</td>
<td>34.95 (34.34)</td>
<td>18.65</td>
</tr>
<tr>
<td>2. Mining &amp; Quarrying</td>
<td>28500</td>
<td>11100</td>
<td>39600</td>
<td>71.97 (95.28)</td>
<td>4.96</td>
</tr>
<tr>
<td>3. Manufacturing</td>
<td>471300</td>
<td>14100</td>
<td>188400</td>
<td>25.00 (35.06)</td>
<td>23.61</td>
</tr>
<tr>
<td>4. Electricity</td>
<td>92,000</td>
<td>10120</td>
<td>102120</td>
<td>90.09 (94.80)</td>
<td>12.80</td>
</tr>
<tr>
<td>5. Construction</td>
<td>330</td>
<td>17240</td>
<td>20540</td>
<td>16.07 (13.31)</td>
<td>2.57</td>
</tr>
<tr>
<td>6. Transport</td>
<td>49200</td>
<td>38710</td>
<td>87910</td>
<td>55.97 (45.95)</td>
<td>11.02</td>
</tr>
<tr>
<td>7. Communication</td>
<td>25000</td>
<td>1000</td>
<td>26000</td>
<td>96.15 (100.00)</td>
<td>3.26</td>
</tr>
<tr>
<td>8. Services</td>
<td>63900</td>
<td>120730</td>
<td>184630</td>
<td>34.61 (30.97)</td>
<td>23.13</td>
</tr>
<tr>
<td>Total</td>
<td>361000</td>
<td>437000</td>
<td>798000</td>
<td>45.24 (47.85)</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Draft of Eight Five Year Plan, Vol-1, Govt. of India.
Table 3: An overall view of Investment pattern in India plans.

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Agriculture &amp; Allied Sectors</td>
<td>290.0 (14.8)</td>
<td>549.0 (11.7)</td>
<td>1088.9 (12.7)</td>
<td>1107.1 (16.7)</td>
<td>2320.4 (14.7)</td>
<td>4864.9 (12.3)</td>
<td>15200.6 (13.9)</td>
<td>31509.4 (14.4)</td>
</tr>
<tr>
<td>Irrigation &amp; Food Control</td>
<td>430.0 (22.2)</td>
<td>450.0 (9.2)</td>
<td>664.7 (7.8)</td>
<td>471.0 (7.1)</td>
<td>1354.1 (8.6)</td>
<td>3876.5 (9.8)</td>
<td>10929.9 (10.0)</td>
<td>16589.9 (7.6)</td>
</tr>
<tr>
<td>Power</td>
<td>149.0 (7.6)</td>
<td>452.0 (9.7)</td>
<td>1252.3 (14.6)</td>
<td>1212.5 (18.3)</td>
<td>2931.7 (18.6)</td>
<td>7399.5 (18.8)</td>
<td>30751.3 (28.1)</td>
<td>61689.3 (28.2)</td>
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<tr>
<td>Village &amp; Small Industries</td>
<td>48.0 (2.1)</td>
<td>187.0 (4.0)</td>
<td>240.8 (2.8)</td>
<td>126.1 (1.9)</td>
<td>242.6 (1.5)</td>
<td>592.5 (1.5)</td>
<td>1979.7 (1.9)</td>
<td>3249.3 (1.5)</td>
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<td>Industry &amp; Minerals</td>
<td>55.0 (2.8)</td>
<td>938.0 (20.1)</td>
<td>1726.3 (20.1)</td>
<td>1510.4 (22.8)</td>
<td>2864.4 (18.2)</td>
<td>8988.6 (22.8)</td>
<td>16947.5 (15.5)</td>
<td>25971.1 (11.9)</td>
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<tr>
<td>Transport &amp; Communication</td>
<td>518.0 (26.4)</td>
<td>1261.0 (22.0)</td>
<td>2111.7 (24.6)</td>
<td>1222.4 (18.5)</td>
<td>3080.4 (19.5)</td>
<td>6870.3 (17.4)</td>
<td>17677.9 (16.2)</td>
<td>7973.6 (17.4)</td>
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<tr>
<td>Social services others</td>
<td>472.0 (26.1)</td>
<td>855.0 (19.1)</td>
<td>1510.1 (17.2)</td>
<td>2199.6 (33.2)</td>
<td>2955.2 (18.9)</td>
<td>7533.9 (15.4)</td>
<td>14904.8 (14.5)</td>
<td>41747.00 (19.1)</td>
</tr>
<tr>
<td>Total</td>
<td>1960.0 (100.0)</td>
<td>4672.0 (100.0)</td>
<td>8576.5 (100.0)</td>
<td>6625.0 (100.0)</td>
<td>15778.8 (100.0)</td>
<td>39426.2 (100.0)</td>
<td>109291.7 (100.0)</td>
<td>218729.6 (100.0)</td>
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</tbody>
</table>

Share of public and private sectors in Gross domestic saving and Gross domestic capital formation (plan period averages)

( Rs. in Crores )

<table>
<thead>
<tr>
<th>Averages for plan periods</th>
<th>Public Sector</th>
<th>Private Sector</th>
<th>Total</th>
<th>% share in total saving</th>
<th>As percentage of GNP at market prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>public sector</td>
<td>private sector</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>public sector</td>
<td>private sector</td>
</tr>
<tr>
<td>( Gross Domestic Savings )</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. First plan -</td>
<td>169</td>
<td>874</td>
<td>1,043</td>
<td>17</td>
<td>83</td>
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<tr>
<td>2. Second plan</td>
<td>273</td>
<td>1,368</td>
<td>1,641</td>
<td>16</td>
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<tr>
<td>3. Third plan</td>
<td>679</td>
<td>2,185</td>
<td>2,864</td>
<td>24</td>
<td>76</td>
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<tr>
<td>4. Annual plan (1966-69)</td>
<td>731</td>
<td>3,838</td>
<td>4,569</td>
<td>16</td>
<td>84</td>
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<tr>
<td>5. Fourth plan</td>
<td>1,341</td>
<td>6,579</td>
<td>7,920</td>
<td>17</td>
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<tr>
<td>6. Fifth plan</td>
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<td>18,192</td>
<td>21</td>
<td>79</td>
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<tr>
<td>7. Sixth plan</td>
<td>6,609</td>
<td>30,062</td>
<td>36,671</td>
<td>18</td>
<td>82</td>
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<tr>
<td>8. Seventh plan</td>
<td>7,815</td>
<td>62,620</td>
<td>70,435</td>
<td>11</td>
<td>89</td>
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</tbody>
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( Gross Domestic capital formation )

<table>
<thead>
<tr>
<th></th>
<th>Public Sector</th>
<th>Private Sector</th>
<th>Total</th>
<th>% share in total saving</th>
<th>As percentage of GNP at market prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>public sector</td>
<td>private sector</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>public sector</td>
<td>private sector</td>
</tr>
<tr>
<td>1. First plan</td>
<td>358</td>
<td>724</td>
<td>1,082</td>
<td>33</td>
<td>67</td>
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<td>2. Second plan</td>
<td>871</td>
<td>1,154</td>
<td>2,025</td>
<td>43</td>
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<td>3. Third plan</td>
<td>1,687</td>
<td>1,662</td>
<td>3,349</td>
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<tr>
<td>4. Annual plan</td>
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<td>3,084</td>
<td>5,296</td>
<td>42</td>
<td>58</td>
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<td>5. Fourth plan</td>
<td>3,324</td>
<td>4,957</td>
<td>8,281</td>
<td>40</td>
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<td>6. Fifth plan</td>
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<td>9,799</td>
<td>17,590</td>
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<td>19,165</td>
<td>39,287</td>
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<td>8. Seventh plan</td>
<td>36,868</td>
<td>41,794</td>
<td>78,662</td>
<td>47</td>
<td>53</td>
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Source: CMIE, Basic Statistic Relating to the Indian Economy, Vol.I. All India, August, 1991
Indian industries have been structured in accordance with the Industrial policy resolutions adopted time to time since 1948. The processes of licensing, delicensing and liberalisation with respect to industries have been initiated through various stages.

New Industrial policy 1990:- The new Industrial policy, 1990 was based on the lines of the Industrial policy statement of 1977. This policy gave more importance to the growth and development of small-scale and Agro - industries by launching a series of developmental measures. The policy also favoured blanket liberalisation policy for growth of medium and large- scale sectors. The policy had a decision of unfettered right to conclude foreign collaboration if the royalty payments exceed over 5% on domestic sales and 8% on exports. The policy had also taken up some measures in order to enable the Indian industries internally competitive.

Apart from launching various developmental programmes for the overall development of industrial sector, the policy had to face many problems and criticism in implementing the various developmental measures. The growth and development of small - scale sectors were greatly affected due to encroachment of big and multinational houses, although the policy restricted the entrance of other sectors in the areas reserved for SSI units, (i) the self - conflicting import policy on capital goods, raw materials and other components for the Indian industries in order to enable them internally competitive,
(ii) creation of serious economic distortion due to blanket liberalisation system for the growth of medium and large-scale sectors and (iii) non-fulfillment of socio-economic objectives of the Eight Plan.

The New Industrial Policy 1990, failed to attain the systematic and planned socio-economic development of the country, particularly in the industrial sector. And as a result, people demanded for amendment of the policy and launching of new industrial policy for achieving socio-economic objectives of our country.

Industrial Policy 1991:

The New Industrial policy 1991 was announced on July 24, 1991 by the Central Government with the following objectives - (i) to make free the Indian Industrial economy from the clutches of bureaucratic control, (ii) to introduce liberalisation for integrating Indian economy with the world economy, (iii) to remove restrictions on direct foreign investment, (iv) to make free the domestic entrepreneurs from the restrictions of MRTP Act, (v) to protect the sick public sector enterprises, etc.

In order to fulfil the above mentioned objectives, the following measures have been framed out in respect of --- (i) Industrial Policy, (ii) Foreign investment, (iii) Foreign Technology Policy, (iv) public sector policy and (v) MRTP Act.
Industrial licensing policy will be abolished except for the industries related to national security and strategic concerns, social and environmental reasons, products of hazardous nature with value. The industries reserved for SSI units will continue.

A direct foreign investment up to 51% foreign equity in high priority industries is permitted and approved. Government will provide automatic approval of technology agreements related to high priority industries within specific limits, for upgradation and injecting desired level of technological dynamism in Indian industry.

The new industrial policy has given more thrust for the promotion of public sector undertakings. The Government through this policy has provided a series of incentives and supports for the revival of both potentially viable and sick public enterprises, as most of the public sector undertakings are not performing well in terms of rate of return on capital investment in such units. Some of the important measures taken for public sector undertakings are ---

1. to provide greater degree of management autonomy through the system of memorandum of understanding (MOU);

2. to allow public sector to enter into the areas not reserved for them;

3. a part of the Government's share holding in the public sector would be offered to mutual funds, financial institutions, general public and workers, with a view to
providing further market discipline to the better performance of public enterprises; and

4. the policy selected some priority areas for the growth of public enterprises in future.

In view of growing complexity in industrial sector and for achieving higher productivity and economy in scale of operations both in national and international market, the Government decided to amend the MRTP Act, in order to remove the assets limits in respect of MRTP companies and dominant undertakings.

As a result of that, prior approval of Central Government for setting up new undertakings, expansion of old undertakings, amalgamation and takeover and also appointment of Directors under certain circumstances are eliminated.

Due to globalisation of entire world economy, various countries of the world are undergoing with some rapid economic reforms for attaining sustained economic growth through various structural adjustments.

The first phase of economic reforms measures initiated by the Government in 1985, which failed to yield favourable impact on Indian economic structural changes to world economy. The second phase of economic reforms measures laid more stress to overcome the severe deficit in balance of trade.
The following are the major thrust of the second phase of economic reforms measures :-

1. Fiscal policy Reforms: A series of fiscal policy reforms measures have been adopted in respect of fiscal deficit in phase manner from 8.4 percent of GDP in 1990-91 to 5.0 per cent in 1992-93 and to 4.75 percent in 1993-94; to reduce subsidies; to raise both tax and non-tax revenue; to develop efficient expenditure system; to increase the profitability and efficiency of State enterprises and withdrawal of budgetary support to central public sector enterprises.

2. Monetary policy: A restrictive monetary policy has been initiated for reducing inflationary pressure and improving balance of payment position.

3. Reforms of pricing policy: The Government introduces a flexible pricing policy, by increasing the administrative prices of petroleum products and fertilisers and to provide freedom to public sector enterprises for fixing prices as per market forces, in order to reduce budgetary provision for subsidies.

4. External policy Reforms: In order to reduce the current account deficit in balance of payments by introducing stabilisation and import compression measures.

5. Industrial policy Reforms: The New Industrial policy 1991, has the following reforms measures --- no restriction in issue of licensing except 18 industries belonging to security,
strategic concerns, etc.; to allow private investment by
dereservation of public sector enterprises from 17 to 18; the
pre-entry scrutiny of investment decisions of the MRTP
companies is eliminated and only to control the "un-fair or
restrictive practices"; Liberalisation of location policy;
abolition of phased manufacturing programmes and removal of
mandatory convertibility clause.

6. Foreign Investment policy: A number of promotional measures
have been undertaken to attract in flow of foreign direct
investment in our country in various sector of economy, such
are --- 34 priority industries are given automatic permission
for investment upto 51 percent of foreign equity; automatic
permission are provided in high priority industry under foreign
technology agreement for royalty payment upto 5 percent on
domestic sale and 8 percent on export sales; foreign trading
companies have been allowed to enhance their foreign equity
holdings upto 51 percent in order to export of Indian commodi-
ties in international market.

7. Public sector policy Reforms: A number of public sector
policy reforms measures have been initiated to curb huge losses
made by some public sector enterprises in the following manners
--- reducing reservation list from 17 to 8 nos and allowing
private participation in these selected 8 nos of public sector
enterprises; to review public investment in those areas where
social consideration is not so paramount and where private
sector would be more efficient; management autonomy to be
given to the profit earnings enterprises through the system of MOU; to reduce budgetary support to public enterprises; to invite private sector participation to enhance market discipline and competitive capacity of public enterprises through disinvestment of 20 percent of equity of selected industries; referring the chronically sick units to BIFR; creation of NRF for the benefits of workers of public sector industries; introduction of a "game plan" in 1994 for public sector reforms; to improve financial performance of the public sector; the Government has evolved a six-year action plan to restructure public sector undertakings by giving 100 percent weight for profit at the end of six years in order to make the PSEs capable to run on commercial basis.

8. Trade policy Reforms: The Government has introduced a new and liberalised EXIM policy for 1992-97 to restrict monopoly powers of public sector enterprises in export and import activities. The policy aimed at to reform licences and quantitative restrictions in respect of capital goods and raw materials for keeping these items under open General Licence (OGL).

9. Social policy Reforms: The Government has evolved a series of developmental programmes on social reforms and accordingly the 1995-96 budget has introduced a National Social Assistance Scheme for the people living below poverty line.

Some early impact of the second phase of economic reforms measures in some important areas, such are ---
1. The annual rate of inflation declined from 17 percent in August 1991 to around 6.5 percent in April 1993 and around 10.5 percent in March 1995.

2. The rate of economic growth raised from 1.2 percent in 1991-92 to 4.2 percent in 1992-93 to 4.3 percent in 1993-94 to 5.3 percent in 1994-95.

3. Fiscal deficit as percent GDP has declined from 8.4 percent in 1990-91 to 5.25 percent in 1992-93 and rose to 7.3 percent in 1993-94 and 6.7 percent in 1994-95 and expected to drop at 5.5 percent in 1995-96.

4. The current account deficit in balance of payments declined from $7727 million in 1990-91 to $2835 million in 1991-92. It was less than half a percent of GDP in 1993-94 as compared to 2 percent in 1992-93.

5. The foreign exchange reserves increased to Rs. 22720 crores ( $8693 million) at the end of January 1993 as compared to Rs. 6251 crores ($3962 million) in 1989-90 and in March 1995 it was close to $20 billion.

6. The foreign investment has been increased in many sectors.

7. The profit earning capacity of PSEs has been increased significantly. The total net profit of public sector enterprises increased from Rs. 2362 crores in 1990-91 to Rs. 4435 crores in 1993-94; etc.

Our country has made a tremendous efforts by undertak-
ing a series of economic reform measures in order to respond to the global economic changes for sustained economic growth and development. But whatever policy reforms measures to be initiated in our country must suit in Indian soil and serve the interest of the general people. As the New Economic Reforms Measures facing many criticism from different angles by critics on the plea that, the reforms failed to control inflation and fiscal deficit, cut on subsidies policy was not effective, creation of more un-employment problems out of structural adjustment, the policy reforms are a complete surrender to the world Bank and IMF precepts and the government accordingly surrendered its sovereignty in order to procure a huge amount of loan from them and most of economic reforms are related to its organisation of reforms.

The renowned economist P.R.Brahmanand has warned that, a premature shift to reform before the readjustment process was completed could plunge the Indian economy into a "whirpool of severe economic crisis".

Although the economic reforms would definately bring with them modernisation, upgradation and new technologies by creating some job losses on one hand and creation of more job opportunities on the otherhand due to growth of the economy and fresh investments to provide more job opportunities for the people. the Government allocated higher outlays in the eight plan in agriculture, rural development, village and small industrial and environment sectors. So, the "welfare of the
masses" should be the primary objective of the economic reforms, which is to be introduced in our economy.

In the conclusion, it may be observed that, it is too early to evaluate the overall impact of the economic policy reforms measures, but it should be necessary to wait and watch at least for some years about the impact. But the economic reforms are very urgent to cope with the economic changes taking place all over the world, similarly every economic decision must not be left completely to the free market forces which may stand on parallel footing. Therefore, it is very important to have a proper balance between conflicting objectives and reconciliation between the objectives of increasing competitiveness for efficiency and equity.

EXIT POLICY: In a labour surplus economy like India, unemployment problem due to closure of industrial units created serious problem for the economy of our country. In the context of modernisation and technological upgradation in Indian industries, in order to make the Indian industries more competitive in international scenario, unemployment problem due to closure of unviable and sick units is a serious threat.

The "exit policy" formulated by Government to give recognition to the right to "exit" when a unit cannot be run economically or is terminally sick.

In January 1987, Government has set up the Board For Industrial and Financial Reconstruction (BIFR) under the sick
Industrial companies (Special provision) Act, 1985 (SICA), in order to revive potentially viable companies. In December 1991, PSEs were brought under the purview of BIFR. The status of PSEs cases are referred to BIFR. Economic Survey, 1994-95 reveals that out of 120 cases (both central and state references) registered, 22 cases are dismissed, 11 cases under revival schemes are sanctioned, 7 cases winding up is recommended and 5 cases are stayed by courts.

The Government appointed a committee on industrial sickness and corporate restructuring in May 1993, in order to evaluate quick revival of viable units and closure of unviable units. The committee also helps BIFR in taking expedite decision.

The Government initiated public sector reforms in order to increase productivity of capital resources and also to reduce the losses made by PSEs, so as to reduce the size of fiscal deficit in the budget.

On the otherhand, it is observed that, to avail Government concessions and relief, some entrepreneurs deliberately makes their units sick. Therefore, Government should be very careful in dealings with this sick units and its revival.

The Government constituted a National Renewal Fund in Feb. 1992 to cope with the situations as face by the workers due to closure of sick units. The NRF would provide a safety
net for workers affected by structural adjustment and technological change. The NFR protects the interest of public sector workers effectively by launching various schemes to assist the employees in re-training, re-deployment and counselling. The Government is also thinking about introduction of National Reconstruction Fund in place of the NRF to help revive sick PSUs.

The Government should properly deal with the exit policy in order to have a favourable impact on our economy in future, keeping in view the globalisation of entire world economic structure.

EXIM policy:- In order to boost the process of industrial development through export promotion and import substitution, the Government has formulated a liberalised export and import policy by offering a number of incentives by launching various schemes from time to time. Accordingly, Government announced the first EXIM policy in 1985 followed by second in 1988 and third in 1990. All the policies aimed at to liberalise import policies for making necessary provision for import of capital goods and raw-materials for industrialisation, utilisation and liberalisation of REP (Registered Exporters policies) licences, liberal import of technology and policy for export and trading houses.

In 1991, the Government announced some major reforms in EXIM policy 1990, for giving export incentives, elimination of a considerable volume of import licensing and optimal import
compression. In 1992, the Government again announced a new five-year EXIM policy (1992-97), by laying emphasis on globalisation of India's foreign trade, enhancement of export capabilities of Indian industries, to encourage the manufacturers for production of standard quality of products, to encourage the exporters for capturing international market, to foster the countries R & D programmes and to make flexible procedures for governing exports and imports. The policy also contains the provisions for further import liberalisation, through various measures like import licenses are to be issued to exporters for 30 percent of the value of exports.

The EXIM policy (1992-97) was modified in March 1993, by laying new thrust to export for agriculture and allied sectors and services in which the country has a comparative advantage by undertaking a series of developmental measures. The EXIM (1992-97) was again modified in March, 1994 in order to promote exports and simplify import procedures by introduction of new category of "Super Star Trading Houses" for big exporters, Special Import Licences (SIL) covering consumer goods not reserved for small-scale industries and big sops for small industries.

On 31st March, 1995 the Government further liberalised the EXIM policy (1992-97) with a series of developmental measures in respect of promotion of domestic manufacturing sectors, import of mass consumption items under the open General Licence (OGL), expanding the category of deemed export, the
advance list of special import licences, to prune the negative list of export licences and to facilitate trade with neighbouring countries.

Most of the modifications have been done on an experimental basis by the Government with a view to attaining greater competitiveness by providing justice to the general consumers, industries and to the economy as a whole.

Small-Sector Industrial Policy, 1991 :-

On August 6th 1991, the Government has announced new small sector industrial policy "policy Measures For promoting and strengthening small, Tiny and village Enterprises". The policy aimed at for the overall development in small - scale sector interms of realising more output, employment and exports. The following are main features of this new policy :-

1. De-regulation, de-bureaucratisation and simplification of the rules, regulation and procedures involved in the maintainance and setting up of small - scale units.

2. The fixed capital investment of "tiny" units was increased from Rs. 2 lakh to 5 lakh, irrespective of the location.

3. Recognising the services and business enterprises under small-scale sector, irrespective of their location with investment upto Rs. 5 lakh.

4. Arrangement for adequate flow of credit to the small-scale for its smooth and viable functioning.
5. Setting up of special monitoring agency for monitoring the genuine credit requirement of Small-Scale unit or sector.

6. Framing out of suitable legislation to ensure prompt payment of small industries bills timely.

7. Setting up of a Technology Development cell (TDC) in the small Industries Development organisation (SIDO) in order to provide technology inputs for making better productivity and competitiveness of the products manufactured by small scale industries.

8. Expanding the market of the products manufactured by small-scale sector with the help of various agencies like - co-operatives, public institution, specialised professionals agencies and consortia approach.

9. Introduction of integrated infrastructure development programmes for small-scale industries.


11. Introduction of a limited partnership Act, to limit the financial obligation of new and non-active partners / entrepreneurs in order to allow foreign companies upto 24 percent.

Accordingly Government has taken up a series of developmental steps to execute the policy measures of 1991 on small-scale sector, such as :-
1. the introduction of factoring service through commercial banks and enactment of legislation (Interest on the Delayed payment Act 1993) in order to reduce the delay in payment of bills of small-scale industrial units.

2. setting up of Technology Development cell for providing technology inputs for higher efficiency, productivity and competitiveness of the SSI units.


4. Introduction of Integrated Infrastructural facilities in 50 centres in rural backward areas.

5. A Quality certificate scheme was introduced in 1994, to improve the Quality standard of SSI products.

6. modification in the "single window scheme" being operated by SIDBI.

7. reservation of some items for exclusive production under SSI units.

8. Providing equity participation by other industrial units in SSI units not exceeding 24% of the total share holding, etc.

Privatisation of Public Sector Enterprises :-

Under the aegis of new economic policy, the Government has initiated the process of privatisation of sick and continu-
ously loss-making units by disinvesting their equity through public issue of shares. As this process will help to fetch a good amount of revenue for their modernisation and diversification and also help to grow competitiveness among the enterprises. The standing committee of public Enterprises (SCOPE) has allowed PSEs to offer their shares to the public. The SCOPE has also proposed a "one-window clearance" of investment proposals in PSEs. The SCOPE also suggested reforms in PSEs management and its structural changes in order to restore confidence among the public. The SCOPE also recommended the participation of PSEs in some areas like — Hotel, tourism, textiles and bread manufacturing units should be gradually eliminated through privatisation by leasing out or by giving a management contract initially.

In our country for the first time, the partial privatisation move was initiated in Feb. 1991. The shipping credit and investment corporation of India (SCICI) has reduced the Government share-holdings from 100 percent to 66 percent. And in July 1991, the Government announced the Industrial policy statement, which emphasised for disinvestment of Government holdings in the share capital of some selected PSEs with a view to providing market discipline and to improve the performance of PSEs. And accordingly Government agreed on to disinvest PSEs shares in some selected units phase by phase. The maximum span of disinvestment will be 20 percent of the paid up capital of public
sector undertakings, as finalised by the union finance Minister in 1994-95.

In the New Industrial policy 1991, the following four major decisions have been taken for public sector --

1. Dereservation of public sector units from 17 to 8 and encourage selective competition in the reserved areas.

2. Disinvestment of shares in PSEs in order to raise more capital resources and wider participation of general public and workers in the ownership of the PSEs.

3. to refer sick PSEs to BIFR For their revival and policy for sick PSEs be designed at par with that of the private sector.

4. to improve the performance of PSEs through the performance contract or memorandum of understanding (MOU) system.

The Industrial policy 1991 was further elaborated by the prime Minister statement in parliament on December 20, 1991, that the mixed economy system will be continued and no further nationalisation be initiated; budgetary support to sick or potentially sick public enterprises to be reduced for eliminating them as early as possible. On the otherhand, in order to overcome human hardships which may arise in dealing with sickness, steps have been taken through the National Renewal Fund (NRF). And accordingly the New Industrial policy allowed 9 units out of 17 units reserved for public sector for private
investment and participation, which would definitely enhance the investment in priority sectors and also assist to promote the competitiveness and efficiency in such sectors. Public sector is now making focus on strategic areas.

In Feb. 8, 1994 the Central Government introduced a "Game Plan" for PSEs which to be conducted during 1994-95. This plan was introduced during 1994-95. This plan was introduced with the intention of improving dynamic efficiency and quality checkup of the performance by giving more weights to profit and profit related criteria in the MOU. This game plan had the idea of giving 50 percent weight in MOU for profit and profit related criteria for improving financial stability and soundness of the public sector. The Government has already evolved a six-year action plan to restructure public sector undertaking, and the idea of giving 100% weight for profit at the end of six years to make the public sector enterprises to run fully on commercial basis.

So, keeping all the above mentioned aspects, it is very necessary to take adequate and rational decisions and strategies to revive both the public and private sector industries in a dynamic manner in order to cope up with the present global changes in all sectors of the international economy, so that the public and private sector and the people in general can enjoy utmost benefit out of it.
The following table shows the growth rates of industrial sectors under different groups of industries.

Table No. 5: Growth Rates of Industrial Sectors use - based classification.

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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1995-96</td>
</tr>
<tr>
<td>1. Basic Goods</td>
<td>39.42</td>
<td>2.6</td>
<td>9.5</td>
<td>5.6</td>
<td>8.7</td>
<td>12.7</td>
</tr>
<tr>
<td>2. Capital Goods</td>
<td>16.43</td>
<td>0.1</td>
<td>-4.2</td>
<td>24.8</td>
<td>19.5</td>
<td>25.6</td>
</tr>
<tr>
<td>3. Intermediate Goods</td>
<td>20.51</td>
<td>5.3</td>
<td>11.8</td>
<td>3.7</td>
<td>10.7</td>
<td>6.2</td>
</tr>
<tr>
<td>4. Consumer Goods :</td>
<td>23.65</td>
<td>1.9</td>
<td>3.9</td>
<td>8.7</td>
<td>12.6</td>
<td>16.2</td>
</tr>
<tr>
<td>(a) Durable</td>
<td>2.55</td>
<td>-0.9</td>
<td>16.3</td>
<td>10.2</td>
<td>37.1</td>
<td>26.0</td>
</tr>
<tr>
<td>(b) Non-Durable</td>
<td>21.10</td>
<td>2.5</td>
<td>1.3</td>
<td>8.3</td>
<td>8.5</td>
<td>13.7</td>
</tr>
</tbody>
</table>


The table shows that, intermediate and consumer durable industries have entered into recession phase as the growth rate of these industrial segment decreased from 11.8 and 16.3 percent in 1993-94 to 3.7 and 10.2 in 1994-95. The slow rate of consumer non-durables have sharply increase from 1.3% to 8.3% during the same period. Capital goods, have also increased sharply from a negative 4.2% in 1993-94 to 24.8% in 1994-95. However, the general rate of industrial production has increased from 3.8% in 1993 - 94 to 8.0% in 1994 - 95, during the period April to Octo-
her (as per Economic survey 1994-95, p.106). As per the use based classification of industries, the overall growth has been broad based. After being relatively sluggish in the last two years, intermediate Goods have recorded a growth of 11.9% in April - June 1996.

The following table shows the Annual growth rates of some major sectors of industry since 1981-82 to 1996-97.

Table 6 : Annual Growth Rates to Major Sector of Industry.
(Percent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mining &amp; quarrying (11.46)</th>
<th>Manufacturing (77.11)</th>
<th>Electricity (11.43)</th>
<th>General (100.00)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>17.7</td>
<td>7.9</td>
<td>10.2</td>
<td>9.3</td>
</tr>
<tr>
<td>1982-83</td>
<td>12.4</td>
<td>1.3</td>
<td>5.7</td>
<td>3.2</td>
</tr>
<tr>
<td>1983-84</td>
<td>11.8</td>
<td>5.7</td>
<td>7.6</td>
<td>6.7</td>
</tr>
<tr>
<td>1984-85</td>
<td>8.8</td>
<td>8.0</td>
<td>12.0</td>
<td>9.6</td>
</tr>
<tr>
<td>1985-86</td>
<td>4.1</td>
<td>9.7</td>
<td>8.5</td>
<td>8.7</td>
</tr>
<tr>
<td>1986-87</td>
<td>6.2</td>
<td>9.4</td>
<td>10.3</td>
<td>9.2</td>
</tr>
<tr>
<td>1987-88</td>
<td>3.8</td>
<td>7.9</td>
<td>7.6</td>
<td>7.3</td>
</tr>
<tr>
<td>1988-89</td>
<td>7.7</td>
<td>8.7</td>
<td>9.5</td>
<td>8.7</td>
</tr>
<tr>
<td>1989-90</td>
<td>6.3</td>
<td>8.6</td>
<td>10.8</td>
<td>8.6</td>
</tr>
<tr>
<td>1990-91</td>
<td>4.5</td>
<td>8.9</td>
<td>7.8</td>
<td>8.3</td>
</tr>
<tr>
<td>1991-92</td>
<td>0.6</td>
<td>0.8</td>
<td>8.5</td>
<td>0.6</td>
</tr>
<tr>
<td>1992-93</td>
<td>0.6</td>
<td>2.2</td>
<td>5.0</td>
<td>2.3</td>
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<tr>
<td>1993-94</td>
<td>3.5</td>
<td>4.1</td>
<td>7.5</td>
<td>6.0</td>
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<tr>
<td>1994-95</td>
<td>7.5</td>
<td>9.8</td>
<td>8.5</td>
<td>9.4</td>
</tr>
<tr>
<td>1995-96</td>
<td>6.9</td>
<td>13.6</td>
<td>8.2</td>
<td>12.1</td>
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<tr>
<td>1995-96 (April - June)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995-96</td>
<td>15.7</td>
<td>14.9</td>
<td>12.5</td>
<td>14.7</td>
</tr>
<tr>
<td>1996-97</td>
<td>3.6</td>
<td>10.4</td>
<td>2.2</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Note : Figures in brackets shows weight.

From the above table it shows that, the growth rate of industrial production during the eighties was improving except a
fall of 3.2 percent in 1982-83, but the overall growth rate of industrial production during the nineteen’s was highly fluctuating and poor, mainly due to poor performance in mining and manufacturing sector.

Government Machinery For Indian Industry:

Socio-economic environment can be described and analysed in terms of an institutional framework and physical framework. The economic policy statements, economic plan documents, control and regulation, role of private sector, public sector, multinationals, co-operatives, small business, etc. constitute the institutional framework. On the other hand, the trend in economic variables like income, price, output, investment, trade, labour supply and other factor endowments, etc. and the structural relation among these variables constitute the physical framework of economic environment.

In India, the Ministry of Industry was created on the 23rd August 1976. It comprises (i) department of industrial developments and (ii) Department of heavy industry / public sector undertakings.

The Department of Industrial Development is the primary Government agency for the formulation and implementation of Government industrial policy including the promotion of industries in the country in accordance with the Government’s industrial policy, national priorities and objectives of the five year plans, etc. The department reviews from time to time
the measures which are needed for the promotion of industrialisation of the country including balanced regional development, promotion of small-scale, village and rural industries as also for securing higher employment generation and maximising production.

The principal functional divisions of this department of industrial development are --

1. Secretariat for industrial approvals.
2. Policy desk for the formulation and implementation of industrial and licensing policies.
3. Industries division.
4. Finance Division.
5. Administration and general division.

The Department of Heavy Industry or what is now called the Department of public sector undertakings is concerned with basic and capital goods industries of India. One of the important activities of the department relates to co-ordination with other Ministries and Agencies responsible for the growth of infrastructure or service goods industries.

An important piece of our Government control mechanism is the CG (Capital Goods) clearance affected through this department. There are other developmental and promotional organisations under the Ministry of Industry. The organisational set up and functions of some of these units are described below.
1. The Directorate General of Technical Development (DGTD):

It is a private technical advisory organisation in the industrial field to various Ministries/Departments of the Government. It gives technical advice on matters relating to industrial technology and licensing, foreign collaboration, capital goods requirements, import and export policy, tariff structure and other related matters in respect of most of the industries, excepting iron and steel, textile, jute, sugar and vanaspati.

The organisation has two functional wings - engineering and non-engineering including chemicals. It has two regional office at Madras and Calcutta;

2. The office of the economic adviser;
3. Bureau of Industrial costs and prices (BICP);
4. Directorate General of Industrial contingency;
5. Directorate General of supplies and disposals (DGSD);
6. Development commission;
7. The Ministry of civil supplies;
8. The Ministry of commerce.

Industrialisation is a pre-condition for rapid economic development. With the growth in our economy measured in terms of rising per capita real-income, we observe a number of structural shifts, typical of economic development. It is seen that in course of economic growth a shift takes place from agriculture to industry. The industrial outputs as well as industrial
employment have increased over the years. The productivity of industrial workers also has gone up. The rate, pattern and structure of industries undergo significant changes in course of economic growth and development. But such industrialisation cannot be automatic, it has to be "induced".

Industrialisation needs Government patronage and promotion. As a part of planning, the Government has to choose an appropriate industrial strategy. The fact remains that planned industrialisation programme.

Industrial Development in Assam since Pre-Independence period:

The industrial development in Assam since the pre-independence period till today is not satisfactory in comparison to other states of India. Although the process of modern economic system and industrialisation took place in Assam during the British rule from 1825, the State has a massive potential for industrial development. The State enjoys abundant natural resources and other important economic resources, but these resources are not being properly utilised for its industrial development. However some large, small and cottage industries were set up, but could not contribute a lot for the overall industrial growth in the State. The industrial sector in Assam basically attached to some selected industries like - tea, petroleum, coal-mining, jute and forest based industries. The diversification and dimension of the industries were very much limited. The main factors which were responsible for the low
growth of industries in the State were mainly under utilisation of man power and economic resources; excessive dependancy on agriculture; low per capita income resulting in poor capital formation; lack of adequate technical know-how and expertise; lack of entrepreneurial ability; lack of proper Government initiative; political, economical and social unrest, etc.

The contribution of the British in respect of social reforms helped the emergence of modern economic system in Assam. As the British Government ruled out the slavery system in 1843 and in 1860, they went on for cultivation of poppy in Assam. All these helped the overall economic set up of the society at large.

During the regime of the British rule in Assam, the process of industrialisation was initiated. Some large and manufacturing industries were set up in the State along with the tea industries, petroleum, sawmills, plywood factory, coalmining, etc. On the infrastructure sector some developments took place in transport and communication system but which was not sufficient for the overall socio-economic development of the State.

The performance of cottage and village industries during the pre-independence period was not satisfactory in terms of generation of employment opportunities. These sectors have huge potential for growth and development since pre-independence
period in Assam. Both the Central and State Government have already initiated a series of development programmes and plans for the growth and development of cottage and village industries since 1936 in the form of setting up of training centres, Muga & Silk Worm stations, Emporium for the marketing of products, etc.

But despite all these developmental efforts, these sectors could not run satisfactorily, mainly due to lack of adequate finance, marketing opportunities, Government incentives and encouragement, etc. Although the State of Assam was famous for cottage and village industries from the time immemorial, these sectors of industry suffered a heavy set back because of the advent of modern industry during the British rule in our country.

The infrastructure development in Assam since the pre-independence period was not satisfactory, although the British Government made some contributions towards the development of infrastructural facilities through the setting up of tea, petroleum and coal mining industries.

After independence, the Indian planner as per the guidelines of planning commission of India, initiated the process of planned development through the five year plans. The first five year plan was an integrated process of development of all sectors of the economy.

The number of registered factories in the State have been increasing over the years. In 1971 the total number of
registered factories stood at 1604, which increased to 2670 in 1991 and at present the total number of registered factories stood at 2402 in 1992. The total number of small-scale industries registered under the Directorate of Industries in Assam stood at 23,619 till 31.1.93. The number of new units established during the year 1993 stood at 1369, besides some large scale public sector undertakings in the field of petroleum, coal & mining, tea, etc.

A number of important institutions have been set up by the State Government to promote the process of industrialisation. These institutions are:

1. Directorate of Industries;

2. The Assam Industrial Development Corporation;

3. The Assam Small Industries Corporation;

4. The Assam Small Industries Development Corporation;

5. The Assam Industrial promotion and infrastructure Corporation;

6. The Assam State Textile Corporation Limited;

7. Directorate of Handloom and Textiles;

8. Khadi and Village Industries Commission's; etc.

Industrial development in modern outlook is spectacular in Assam during the planning period. The State Government also
formulates industrial policy of its own to suit the industrial needs of the State under the broad guidelines of the National Industrial policy Resolutions. The Government of Assam set up 44 State Public enterprises to serve the people of the State. During the planning period a large number of financial institutions have been set up to provide long-term loan as well as short-term loan for the industry.

In the first five year plan of Assam, the industrial sector was given least priority and no broad-based efforts were made for the development of industrial sector. Only a few schemes were chalked out for creation of infrastructural facilities for the growth of industrial sector.

In the second five year plan, stress was given to the growth and development of industrial sector, through the setting up of some basic and heavy industries and creation of adequate infrastructural facilities. The overall progress and achievement under industrial sector was not satisfactory as the industry and mining sector was given least priority in the State plan. But some progress and achievements were made in the second plan. For example,

1. The generation and consumption of electricity was enhanced from 0.91 KWH in first plan to 5.63 KWH in second plan. Two hydroelectric projects and one gas turbine project were set up,

2. For the growth of small-scale industries two Industrial
Estates were set up one at Guwahati and another at Dhekiajuli,

3. The Noonmati Refinery with crude pipeline was set up,

4. Construction of new railway tracks,

5. Setting up of some major consumer goods and manufacturing units had been set up both under public and private sector and also some other important industrial units were proposed to set up,

6. Two important technical institutions were set up at Guwahati and Jorhat, etc.

But in spite of having plenty of industrial resources, the State could not make proper development in the industrial sector during the second plan period.

The third five year plan laid stress on the development of industrial sector through the setting up of some basic industries. The industry and mining sector got fourth position in the third plan. The allocation of resources under industrial sector in the third plan was higher than the second plan. But no significant development was seen under industrial sector. Some progress and achievement were made in industrial sector during the third plan period, for example,

1. The installed generating capacity of power plants was increased from 20 MW in 1960-61 to 160.3 MW in 1965 both in public and private sector power plants,
2. The Assam Industrial Development Corporation was set up,

3. The Scheme for developing of industrial areas was introduced by the State Government in order to encourage the private entrepreneurs,

4. The Small Industrial Development Corporation was set up to promote the growth of small-scale industries,

5. Some important basic consumer and manufacturing units were set up namely---spunsilk Mills, Meter manufacturing unit, Fertiliser projects, the cherra cement factory and the Natural Gas distribution project, Match splint factory, Jax Board factory, etc. were under construction.

6. The Government extended a number of incentives in the form of cash and kind subsidy, training facilities, etc. for the promotion of village and cottage industries in the State.

So, during the third plan period, the process of sound industrial base was initiated in the different fields of industrial sector.

The overall industrial development in the fourth five year plan was not satisfactory. To develop the industrial sector some strategies were framed out to increase the production of industrial raw-materials, to develop medium and small scale industries for the production of essential consumer goods, to have a sound industrial base, to create adequate infrastructure facilities, to provide more incentives to industrial sector,
The following are the achievements during the fourth five year plan in Assam:

1. The index of industrial production increased from 103.57 (base 1970-100) in 1971 to 115.08 in 1973;

2. Generation of power increased from 413.2 million KWH in 1971 to 539.9 KWH in 1974;

3. The road communication system was developed to some extent;

4. The production capacity of some industries like fertiliser and cement increased;

5. About 75 Small and Cottage industries were set up;

6. Some new Industrial Estates, service workshop, growth centres were set up; and

7. Some projects were on the threshold completion at the end of fourth plan.

The fifth five year plan laid stress to boost the process of industrial growth and development through the setting up of some important consumer and manufacturing industrial units and creation of adequate infrastructural facilities. The performance of industrial sector under fifth five year plan period could be analysed in the following segments:
1. The installed generation capacity of power plants was fully utilised;

2. The road transport system was improved by constructing new roads;

3. The production capacity of handloom and sericulture sectors was increased;

4. A good number of Small-Scale industries were set up;

5. Three Industrial Estates / Areas were set up against the target of six industrial Estate;

6. Some important industries were set up namely - Bokajan cement factory, the Assam petrochemicals complex, Namrup and Cachar Sugar Mills, BRPL; and

7. Some other important units were proposed to set up, namely --- cement factory at Garampani, Spinning Mill at Bongaigaon, Vanaspati Plant, AIDC, ASIC and ASIDC institutions, etc.

The sixth five year plan gave more thrust on infrastructure development programme for the growth and development of industrial sector. The overall industrial scenario in the sixth plan period was not satisfactory, although some development had taken place. The industrial and mining sector were given low priority in the sixth plan period. Some of the important development made during the sixth plan period are discussed below:
1. The industrial production increased by 30 percent from the period of 1979 to 1985;

2. Some infrastructural facilities were provided through the setting up of — The Assam Industrial promotion and Infrastructure Corporation, the Assam Textile Corporation Limited, etc;

3. Setting up of Task Force in October 1980;

4. Six spinning Mills based on downstream products of BRPL were set up both in public and private sector;

5. Power sector was given top priority for its development;

6. Under the aegis of the Assam Industrial Development Corporation some important projects were initiated and expected to go into production during the seventh plan period; etc.

The seventh plan laid stress on the overall development of industrial sector through the creation of adequate infrastructural facilities and improving the efficiency and modernisation of industry. The seventh plan made a target to attain the industrial growth rate by 7 percent. But the overall industrial development did not take its root as the industry and mining sector were given less priority.

The achievement of seventh plan could be given as follows:

1. Five Industrial Estates were set up;
2. Two important petro-chemical projects were set up;
3. Importance was given to the promotion and development of forest-based, mineral-based, agro-based and Textile industries;
4. Setting up of some small scale units based on BRPL downstream products, setting up of "Assam Electronics Development Corporation" for manufacturing of electrical inputs, setting up of one sheet plan under mini steel industry sector, setting up of "Gas Grid" and "Sponge Iron" project based on natural gas, etc. were initiated during the seventh plan period;
5. The commercial production of some existing industries set up in the previous plan period were expected in the seventh plan period, etc.

The programmes in the Eight plan were mainly --

1. to create adequate infrastructural facilities for the industries;
2. to increase the efficiency and production capacity of industries by providing required facilities;
3. the introduction of decentralised planning, following the recommendations made by task force, setting up of "Udyog Nagar" at central place covering an area of 2000 hectares of land with all required infrastructural facilities, etc. were initiated to boost the process of industrialisation throughout the State;
4. An Industrial Advisory Committee was constituted by the Assam Government for providing necessary help to industrial sector;
5. The Government decided to give investment priority to five major projects namely — Gas Craker project, plastic units, textile units, Lime-stone industries and the electronic industries; etc.

Besides the above mentioned development programmes, some other important progress and achievements were made in industrial sector. For example;

1. The construction of Numaligarh Refinery limited under joint sector was started on 22nd April 1993;

2. The setting up of one Gas Craker project is under processing during the eight plan period;

3. The expansion programmes of BRPL was completed in May 1995, with increasing capacity from 1.35 million tonnes to 2.7 million tonnes per annum in refining operation;

4. Privatisation of some existing public sector enterprises have been processing; etc.

The following table shows the plan provision and Actual Expenditure and financing the plans in the State of Assam, since first five year plan till Eight five year plan.
Table No. 7: State plan outlay and Expenditure.

<table>
<thead>
<tr>
<th>Plan</th>
<th>Ref. year</th>
<th>Approved outlay</th>
<th>Actual Expenditure</th>
<th>Central Expenditure</th>
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<tr>
<td>First plan</td>
<td>1951-56</td>
<td>21.67</td>
<td>28.00</td>
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<td>Second plan</td>
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<td>Three Annual plan</td>
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<td>Fourth plan</td>
<td>1969-74</td>
<td>223.75</td>
<td>198.41</td>
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<td>159.73</td>
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<td>Sixth plan</td>
<td>1980-85</td>
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<td>Seventh plan</td>
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Source: Plan Documents, P&D Deptt. Assam.
Note: (a) Anticipated Expenditure.

Industrial Development in un-divided Goalpara District:

Development is the acquisition of qualities, where there are capabilities in all the sectors of the economic activities it is to be an economic development.
The industrial development of the un-divided Goalpara district is not spectacular. The socio-economic development of any region is primarily dependant upon the development in secondary and tertiary sectors alongwith the primary sector. The economy of un-divided Goalpara district is primarily an agrarian economy. About 70 percent of its total population is directly connected with agricultural activities and the rest 30 percent is directly and indirectly connected in secondary, tertiary and other agricultural allied activities. In the undivided Goalpara district there is no balanced growth and development in all sectors of the economy. Although, the district economy primarily rests on agricultural activities, but the performance of this sector is not to the mark. The ratio of man-money and materials is not proportionately matched with each other. The productivity of agriculture sector is not showing any upward tendency in the production of food and cash crops. The principal food crops in the districts include --- rice, pulses, maize, etc. and the other cash crops are mainly --- Jute, oil seeds, Mesta, etc. The causes of slow and low agricultural productivity are basically concerned with a number of factors such as --- small size of land holdings, traditional method of cultivation, lack of adequate irrigation network facilities, scanty use of fertiliser, happening of frequent natural calamities, want of adequate finance, lack of adequate infrastructural facilities, etc.

The development of agriculture sector in the district is considered to be very urgent from socio economic point of view by adopting proper and adequate remedial measures and also
following suggestions made by the National Council of Applied Economic Research (NCAER).

The indicator of industrial growth of a particular region or a district is the net output in terms of value, contributed by the industrial sector and the magnitude of generation of employment opportunities. This criteria gives a view of very much low position of industrial scenario of un-divided Goalpara district in comparison to other districts, of Assam. Industrialisation is the means of mobilising country's resources into productive channels, which helps the flow of capital to the gainful economic activities. Assam has abundant resources --- man and materials, as industrial inputs for socio-economic development of the State. In order to initiate the process of industrialisation in the un-divided Goalpara district, the State Government has introduced State capital subsidy incentive and other incentives such as -- power subsidy, seed money loan, transport subsidy etc. But inspite of these Governmental incentives the district has not been able to make favourable impact on industrial development. The lack of industrial atmosphere coupled with unorganised effort for industrialisation is the predominant feature of the district economy.

The socio-economic upliftment of the un-divided Goalpara district can be expected from the development of secondary and tertiary sectors along with the primary sector. It is therefore, necessary to evaluate the problems of industrialisation
and to examine the industrial potential in the un-divided Goalpara district so as to facilitate the concerned parties to take up feasible development plans in the district.

The importance of village and small-scale industries in the agrarian economy of the un-divided Goalpara district cannot be denied, as they provide many useful services towards the economic and industrial development of the district. The village and small-scale industries help to increase income, to generate more employment opportunities, to remove regional disparities and inequalities in income, etc.

In the un-divided Goalpara district there is an ample scope for the promotion of village and small-scale units. As more than 80 percent of total population of the district reside in villages and their principal income is derived from agriculture and its allied activities, the growth and development of agriculture and its allied activities contributed a lot towards the promotion and setting up of village and small scale industries. As the agriculture sector is the basis of supplying raw materials required by the village and SSI units in the district. The rural agricultural families can easily run the village industries as these industries require minimum capital, ordinary tools and equipments and also these industries provide subsidiary employment and income during the leisure time to the villagers.
The un-divided Goalpara district has abundant natural resources and depending upon such resources as industrial raw materials, a number of village and small-scale industries can be set up by imparting training to the local prospective entrepreneurs and also organizing different workshops on village and small-scale industries throughout the district.

On the other hand, being a rural oriented district, all the economic developmental activities are basically concerned with the upliftment of rural economy. The District Rural Development Agency (DRDA) is taking care by implementing various centrally sponsored programmes for the overall economic and industrial development in the rural areas. The DRDA under the different scheme provide more incentives and support for the promotion of village and SSI and as a result of which a number of village and SSI units have been set up in the rural and urban areas of the district. There is ample scope for the setting up of more village and SSI units, if adequate infrastructural facilities are created by the Government under the New Industrial policy of the State.

Some of the important village and SSI units functioning in the un-divided Goalpara district are mainly --- Sericulture, Handloom & Weaving, Cotton Textile unit, Knitting & Embroidery, Tailoring, cane and Bamboo works, Blacksmithy, Supari processing, Gold & Silver Ornaments making, Bee-keeping, Bakery, Wooden furniture, Iron and Steel furniture, Biri manufacturing, Saw mill, Washing shop, Welding and fabrication, Engineering

In an economically and industrially backward district like un-divided Goalpara district, setting up of medium and large-scale industries is not very easy at the initial stages both in the public and private sector, particularly in case of private sector, as it requires huge capital investment, high capital intensive technologies and methods of production, skilled labours, etc. The district is not in a position to cope up with all these requirements of medium and large-scale industries, unless Government does not take adequate steps for creation of these basic infrastructural requirement of medium and large-scale industries.

Therefore, in order to boost up the process of economic and industrial development the Government must give more thrust for the promotion and setting up of a number of economically viable and commercially feasible village and SSI units in the district. Accordingly, for the growth and development of village and SSI unit, both the central and State Government have been undertaken a number of industrial development measures from time
to time, but the impact of such measures in the industrial sector is not satisfactory. As the socio-economic condition of the people in rural areas of the district is still characterised by poverty, rapid growth of population, absence of scientific cultivation system, lack of implementation of land reform measures, scarcity of rural credit from financial institutions, etc. all these contributed towards the low productivity in agriculture sector and poor development in industrial sector.

So, utmost care and attention must be given by the Government for the economic and industrial development along with the growth and development of village and SSI units throughout the un-divided Goalpara district.

As Charan Singh, the late prime minister of India, in his book, "India's poverty And Its solution" has rightly observed that --- "Large plants or projects do not make as much difference to the prosperity of the bulk of the people as is sometimes supposed. Industrialisation in modern sense of mills and factories began in India in the middle of the Nineteenth century, yet the contribution of the organised industrial sector to the total product of the Indian Union in 1948-49 stood only at 6.3 percent. After thirteen years of disproportionately heavy investments, the figure could be raised to 9.5 percent only in 1960-61. As between constituent states of the Union despite its iron and steel industry, the people of Bihar have remained poor and although the Punjab has no large industry by devoting greater attention to agriculture and small-scale industries, its
people have come to enjoy a higher standard of living than people elsewhere in the country". Therefore, Mahatma Gandhi had said, "An increasing in the number of mills and cities will certainly not contribute to the prosperity of India." III.

Assam is one of the industrially backward States of India, where un-divided Goalpara district is zero industry district of Assam. The district Goalpara is included in the list of 216 District Industry Centre (DIC during 1977 to give a massive thrust in the area of rural industrialisation. It is also observed that the district has not been able to make any impact on industrial sector inspite of Government incentives to set up industries. The lack of industrial culture coupled with different socio-economic problems for industrialisation is a dominant feature of the district economy.

The socio-economic development of the district can be expected from the systematic development of secondary and tertiary sectors along with the agriculture sector. It is therefore, necessary to examine the problems of setting up of different types of industries and to evaluate the industrial potential in the district. This study is an attempt to have a systematic study on economic and non-economic variables so as to facilitate economic development of the district.

Objectives of the study:

The following are the main objectives of this study:

1. to examine the present socio-economic profile of undivided Goalpara district of Assam

2. to examine the growth and pattern of primary, secondary, and tertiary sectors of this district;

3. to evaluate the opportunities, strength, and difficulties in the process of industrialisation in the district;

4. to evaluate the Government programmes and incentives for the development of industries and the performance of district industries centre.

Hypothesis:

On the basis of above objectives the following hypotheses are formulated and to be analysed in course of this study.

1. The industrial backwardness of this district is due to the lack of entrepreneurial talent;

2. Identification of entrepreneurs' ability would start the process of industrialisation;

3. Identification of industrialisation problems would help to set up of industries in the district.
Methodology:

The study is conducted with the help of primary survey as well as secondary information. The primary data have been collected from all the development blocks of the district. About 2 percent households of the district have been selected at random for collecting necessary information. Almost all the existing industries have been visited for primary investigation and data collection. Some important questionnaire-based information have been collected from the industries, industrialists and officials of the Directorate of Industries. Along with the primary information data, data of secondary sources have also been collected for this investigation. Information collected from District Industries Centre (DIC), Credit plan of lead bank, information from small Industries service Institute and other published documents and reports would be the basis of this study. After collecting all these facts from primary and secondary sources, an attempt is made to:

1. analyse the pattern of industrial development of the district;
2. examine industry-wise assistance given by the financing agencies;
3. analyse of linkage between primary and secondary sector;
4. evaluation of opportunities, strength and problems of industrialisation; and
5. examine the Government programmes and incentives and to evaluate its outcome.
Expected Contribution From the Study:

The study on the problems and prospects of industrial development of Goalpara district of Assam may provide meaningful guidelines for the economic development of Assam. The financial institutions which encourage industrial development in Assam, their role and performance will be investigated. The study may also help in the process of formulating business strategies to face the challenge of competitive system.

This study will also help in identifying the areas where special attention and financial incentive from the Government are required for industrially backward district of Goalpara. The study will throw some light on industrial outlook apart from that in the existing literatures. The planner, policy makers and the financial agencies may benefit from this study.

Plan of Work:

The thesis is divided into the following chapters:

1. Introduction:
   - History of industrial development in India
   - Industrial development of Assam during the planning period
   - Industrial and economic development of Goalpara district
   - Importance of villages and small-scale industries
   - Industrial development and economic development.
2. Socio-Economic profile of Goalpara district:

Geographical area -- Natural division -- climate, soil, Natural resources, mineral resources, Forest resources. Population -- its size, growth, density, workforce, district income, social overheads.

3. Sectoral economic activities in the District:

Agriculture and industrial inputs -- Existing Industries -- its performance -- small-scale, cottage, medium and large scale industries -- Trade and commerce, banking services.

4. Problems of Industrialisation:

Entrepreneurial problems -- resource problems -- financing and investment problems, problems of transport and communications -- management problems -- marketing problems.

5. Industrial potentials of the District:


6. Financial services in the District:

Mobilisation of resources -- small savings, LICI, bank deposit, National saving schemes, industrial finance -- promoting and financing agencies.
7. Suggestions and Recommendations.

An attempt is made to analyse socio-economic profile of Goalpara district in the next Chapter.