Chapter II

Review of Industrial Development

2.1 Introduction.
2.2 Industrial Policy.
2.3 Role of Industries in National Economy
2.4 Industrial development Through Five Year Plans in India.
2.5 Large Scale Industries in India.
2.6 Development of Small-Scale Industries in India.
2.7 Industrial Development in Maharashtra.
2.8 Industrial Development in Pune Region.
2.9 Summary
Chapter II

Review of Industrial Development

2.1 Introduction:

In the first chapter meaning of industry, industrialisation in modern society stages of economic development (Rostow), comparison of the sector of occupation, resource utilization (optimum), necessity of integrated approach, geography is an integrative discipline, industrial geography, industrial geographic approach, choice of the region and topic, aims and objectives, data base and methodology, review of literature and chapter scheme are discussed. In this chapter, industrial policy, role of industries in national economy, industrial development through five year plan in India, large scale industrial development in India, development of small-scale industries in India, industrial development in Maharashtra, Pune division and Solapur district are analysed.

2.2 Industrial Policy:

The concept of 'Industrial Policy' is comprehensive and its covers all those producers, principles, policies, rules and regulations which controls the industrial undertaking of a country and shape the pattern of industrialisation. It incorporates Fiscal and Monetary policies, the tariffs policy, labour policy, and Government's attitude not only towards external assistance but the public and private sector also.

Industrial Policy 1948:

The attainment of independence by India on August 15, 1947 made, tremendous difference to the industrial landscape. In view of the need to step up production and counter inflationary tendencies, it was essential to announce an industrial policy which could create conditions of economic security so very vital for the growth of the industrial structure and thus produce a climate for stimulating investment in industry.

In view of the various cross currents that confused the industrial climate a statement of industrial policy was necessary to clear the foggy atmosphere.

The Industrial Policy Resolution of April 1948 contemplated a mixed economy reserving a sphere for the private sector and another for public sector. The industries were divided into four broad categories.
a) The manufacture of arms and ammunition, the production and control of atomic energy and the ownership and management of railway transport were to be the exclusive monopoly of the Central Government.

b) The second category covered coal, iron and steel, aircraft manufacture, shipbuilding, manufacture of telephone, telegraphs and wireless apparatus excluding radio receiving sets and mineral oils.

c) The third category was made up of industries of such basic importance that the Central Government would feel it necessary to plan and regulate them. It comprised certain basic industries of importance including salt, automobiles, tractors, electric, engineering, heavy machinery etc.

d) A fourth category, comparing the 'remainder of the industrial field' was left open to private enterprise, industrial as well as co-operative.

The resolution made it amply clear "that as a rule, the major interest in ownership and effective control, should always be in Indian hands. In all cases, however, the training of suitable Indian personnel for the purpose of eventually replacing foreign experts will be insisted upon"

**Industrial Policy Resolution 1956**

Since the adoption of 1948 resolution, significant development took place in India. A second industrial policy resolution was adopted in April 1956, replacing the Resolution of 1948. Important provisions of the 1956 resolutions were :-

i. **New Classification of Industries**

The resolution laid down three categories which bear a close resemblance to the earlier classification, but were more sharply defined and were broader in coverage as to the role of the state. These categories were :

a) **Schedule A** : Those which were to be an exclusive responsibility of the state, under schedule A were listed seventeen industries arms and ammunition, atomic energy, iron and steel, heavy castings, and forgings of iron and steel, heavy machinery etc.

b) **Schedule B** : Those which were to be progressively state-owned and in which the state would generally setup new enterprises, but in which private enterprise would be expected only to supplement the effort of the state. Twelve industries were
included in this group such as mining industries, aluminium and other nonferrous metals not included in shedule A.

**c) Shedule C :** All the remaining industries and their future development would in general be left to the initiative and enterprise of the private sector.

**ii. Encourage to Village and Small-Scale Enterprises :**

The state would support cottage and small-scale enterprise by restricting volume of production in the large scale sector by differential taxation or by direct subsidies.

**iii. Removing Regional Disparities :**

The resolution stressed the necessity of reducing the regional disparities in levels of development in order that industrialisation may benefit the country as a whole.

**iv. Fair and Non-Discriminatory Treatment for the Private Sector :**

In order that the private sector may feel confident and function efficiency the state was to facilitate and encourage the development of industries in the private sector by ensuring the development of transport, power and other services and by appropriate fiscal and other measures.

**v. The Need for the Provision of Amenities for Labour :**

The resolution also recognised that in a socialist democracy, labour is a partner in the common task of development and should participate in it with enthusiasm and for this the maintance of industrial peace is one of the essential conditions.

**vi. Attitude Towards Foreign Capital :**

The government recognised the need for securing the participation of foreign capital and enterprise particularly as regards industrial technique and knowledge so as to foster the space of industrialisation of the Indian economy.

**Industrial Licensing Policy Till 1977 :**

According to 1956 policy industrial units employing less than 100 workers and having fixed assets of less than Rs. 10 lakhs were not required to obtain any licence what so ever.

**Hazari Report on Industrial Licencing Policy :**

Dr. R. K. Hazari reviewed the working of industrial licensing under the Act and
made some sensational disclosures.

i) Some leading houses followed the practice of multiple application for the same product, and for a wide variety of products which were meant to foreclose licensable capacity. This appeared to be particularly true of Birla applications. Dr. Hazari in a fortnight comment said "It is perhaps no accident that certain Birla companies which appear repeatedly among the ranks of applicants and some of which do get approval for their proposals have little to boast of in their balance sheets and profit and loss accounts".

ii) Industrial licensing did not bring about balanced regional development. "The gains in terms of balanced regional development and wider distribution of entreprenuers are at least, moderate. That licensing has served to channelise investment appears extremely doubtful".

iii) The most disappointing feature of industrial licensing was the absence of follow up action once the licences were issued. The Birlas did not utilise even 50% of licences issued to them.

**Subimal Dutt Committee Report**

Following a discussion of the Hazari Report in parliament, the Government of India appointed a committee under the chairmanship of Mr. Subimal Dutt in July 1967 known as the Industrial Licensing Policy Inquiry Committee to inquire into the working of the licensing system of India. The committee submitted its report in July 1969. The Dutt committee accepted the concept of "Large Industrial Houses" which "should include those business concerns over which a common authority held away. The Dutt committee identified 20 larger Industrial Houses, 53 large Industrial Houses and 60 large independent concerns. The committee came to the following conclusions on the grant of industriallicencing:

i) The licensing authorities ignored the objectives of the Industrial Policy (1956) and the reasons for the adoption of licensing system. The committee stated, "It was not, however, necessary to grant multiple licences to the same house in a given industry. It was also not necessary to grant capacities much higher than necessary on techno-economic grounds and thereby concentrate licensed capacity among a few units belonging to the large Industrial Sector. A consideration of preventing mo-
nopoly does not seem to have entered the picture at all."

ii) The areas reserved for the public sector under the Industrial Policy Resolution of 1956 were opened to the private sector under one pretext.

iii) The four industrially advanced states viz. Maharashtra, West Bengal, Gujarat and Tamil Nadu were able to acquire 62% of the total licences issued. Obviously the licensing system was unable to help the industrially backward areas.

iv) One of the saddest features of licensing was foreign collaboration even in non-essential consumer goods e.g. radio.

The Dutt committee recognised the fact that industrial licensing was a negative instrument and as such could only play a limited role for a license for setting up a new unit or expand this specific purpose i.e. to grant or not to grant existing capacity.

**New Licensing Policy and Procedures 1970:**

In February 1970, the Government announced its new industrial licensing policy. It accepted the recommendation of the Industrial Licensing Policy Inquiry Committee that there should be a list of core industrial the economy. The core sector would consist of:

a) Agricultural inputs - i) fertilizers. ii) pesticides, iii) tractors and power filers.

b) Iron and steel-iron ore, pig iron and steel, alloy and special sheets.

c) Non-ferous metals.

d) Oil exploration and production.

e) Coaking coal.

**Industrial Policy 1977:**

In March, 1977 the Congress Party was thrown out and the Janta Party assumed power at the centre. In December 1977 the Janta Government announced a New Industrial Policy by way of a statement in the parliament.

For the past 20 years, the Government policy in the sphere of industry had been governed by Industrial Policy Resolution of 1956. The main elements of the new policy were:

1. **Development of small-scale sector-the main thrust of the policy:**

   The small sector was classified into three categories.

   a) Cottage and household industries which provide self-employment on a wide scale.
b) Tiny sector incorporating investment in industrial units in machinery and equipments up to Rs. 1 lakh.

c) Small-scale industries comprising industrial units with an investment up to Rs. 10 lakhs and in case of ancillaries with an investment in fixed capital upto Rs. 15 lakhs.

2. **Areas for large-scale sector:**

According to the 1977 Industrial Policy Statement, the role of large-scale industry would be related to the programme for meeting the basic minimum needs of the population through wider dispersal of small-scale and village industries and to the strengthening of the agricultural sector.

3. **Approach towards large business houses:**

The Industrial Policy Statement stated in unequivocal terms. "The growth of large houses has been disproportionate to the size of their internally generated resources and has been largely based on borrowed funds from public financial institutions and banks. This process must be reversed." To ensure that no limit of business group acquired a dominant or monopolistic position in the market.

4. **Expanding role for the public sector:**

The 1977 Industrial Policy Statement specified that the public sector would not only be the producer of important and strategic goods of basic nature but it would also be used effectively as a stabilising force for maintaining essential supplies for the consumer.

5. **Approach towards foreign collaboration:**

The Industrial Policy Stated "In areas where foreign technological know-how is not needed existing collaborations will not be renewed."

6. **Approach towards sick units:**

The policy statement suggested a selective approach on the question of sick units.

Really speaking, the Janta Policy Statement was a mere extention of the Industrial Policy of 1956, it was directed merely towards the removal of certain distortion. In this sense Janata Industrial Policy was a continuance of the 1956 Industrial Policy with some difference in emphasis on detail.
Industrial Policy of 1980:

The congress government announced its industrial policy in July 1980. Outlining the philosophy behind the Industrial Policy of 1980. The major thrust of the 1980 Industrial Policy was to regulate the excess capacity installed over and above the licensed capacity. Not only that the government also proposed to allow the privilege of automatic expansion of capacity to all industries. All this was sought to be justified in the name of full utilization of capacity and maximization of production. Big business naturally welcomed the liberalisation of capacity proposed in 1980 Industrial Policy. The Industrial Policy (1980) was guided merely by considerations of growth. It liberalised licensing for large and big business but by blurring the distinction between small-scale and large-scale industries it seeks to promote the latter at the cost of the former.

Liberalisation of Industrial Licensing After 1980:

The Industrial Policy of 1980 made a sea-change in terms of liberalisation of licensing policy in favour of large business houses. Particularly in forms of making them free from the provisions of MRTP ACT and FERA. The major changes introduced were as under:

a) Liberalisation of licensed capacity in the name of economics of scale and modernization.

b) Concept of broad-banding introduced.

c) Raising the assert limit of MRTP companies.

d) Relaxation of industrial licensing.

e) Industrialisation of backward areas.

Industrial Policy 1991:

The congress government led by Mr. Narasimha Rao announced the new industrial policy in July 1991. The main aim of the new industrial policy was to unshackle the Indian industrial economy from the cobwebs of unnecessary bureaucratic control to introduce liberalisation with a view to integrate Indian economy with the world economy to remove restrictions on direct foreign investment as also to free the domestic entrepreneur from the restrictions of MRTP Act. Besides the policy aimed to shed the load of the public enterprise which have shown a very low rate of return or are incurring
losses over the years. All these reforms of industrial policy led the government to take a series of initiatives in respect of policies in the following areas.

a) Industrial licensing.
b) Foreign investment.
c) Foreign Technology Policy.
d) Public Sector Policy and MRTP Act.

a) Industrial Licensing Policy:

In the sphere of industrial licensing the role of the government was to be changed from that of only exercising control to be changed from that of only exercising control to one of providing help and guidance by making essential procedures fully transparent and by eliminating delays.

i) Industrial licensing to be abolished for all projects except for a short list of industries related to security and strategic concerns, social reasons, hazardous chemicals and overriding environmental reasons and items of elitist consumption.

List of Industries in respect of which industrial licensing will be compulsory:


ii) Areas where security and strategic concerns predominate will continue to be reserved for the police sector i.e. arms and ammunition, coal and lignite, mineral oil, railway transport etc.

iii) In projects where imported capital goods are required automatic clearance will be given in cases where foreign exchange availability is ensured through foreign equity.

iv) In locations other than cities of more than one million population there will be no requirement of obtaining industrial approvals from the central govt. except for industries subjects to compulsory licensing.
v) The exemption from licensing will apply to all substantial expansion of existing units.

b) Foreign Investment:

In order to invite foreign investment in high priority industries requiring large investments and advanced technology, it has been decided to prade approval for direct foreign investment up to 51 per cent foreign equity in such industries.

c) Foreign Technology:

With a view to injecting the desired level of technological dynamism in Indian industry, government would provide automatic approval for technology agreements related to high priority industries within specified parameters. No permission will be necessary for hiring of foreign technicians, foreign testing of indigenously developed technologies.

d) Public Sector Policy:

The 1991 Industrial Policy has adopted a new approach to public enterprises. The priority areas for growth of public enterprises in the future will be the following:

i) Essential infrastructure goods and services.

ii) Exploration and exploitation of oil and mineral resources.

iii) Technology development and building of manufacturing capabilities in areas which are crucial in the long term development of the economy and where private sector investment is inadequate.

iv) Manufacture of products where strategic considerations predominate such as defence equipment.

2.3 Role of Industries in National Economy:

"It is only when India has acquired the ability to design fabricate and erect its own plants without foreign assistance that it will have become a truely advanced and industrialised country". This statement of Jawarla Neharu gives the importance of industries in nations economy. Industrialisation has a major role to play in the economic development of underdeveloped countries like India.

The share of industry in the gross domestic product went up from 25.8 per cent in 1993-94 to 26.1% in 1997-98. The share of industry in national income in 1948-49 was 17 pre cent. In 1996-97, it was around 22.5 per cent an increase of just
5.5 per cent in 50 years. Thus in terms of contribution of national product, the share of manufacturing industry sector continues to be low. In most of the developed nations this share is between 30 and 50 per cent. The share of manufacturing in gross domestic product increased from 11.4 per cent in 1950-51 to 22.5 per cent in 1996-97.

2.4 Industrial Development Through Five Year Plan in India:

Before the rise of the modern industrial system Indian manufactures had a world wide market. Indian muslim and calicoes were in great demand the world over. Indian industries not only supplied all local wants but also enabled India to export its finished products. Indian export consisted chiefly of manufactures like cotton and silk fabrics, calicoes artistic ware, silk and woollen cloth.

The government of India launched the process of industrialisation as conscious and deliberate policy of economic growth in early fifties. Indian industrial sector made tremendous progress in five year plans.

Industries and the First Five Year Plan (1951-1956):

During the first plan itself, no big effort was contemplated to industrialise the economy; rather the emphasis was to build basic services like power and irrigation so that the process of industrialisation is facilitated. A total investment of about Rs. 800 crores was planned for industry, out of which investment in the public sector was to be of the order of Rs. 94 crores only. The first plan only aimed to utilize the existing capacity to the full, the general index of industrial production recorded an increase of 39 per cent during the plan or a compound annual growth rate of 7 per cent. This was no mean achievement.

Industries and the Second Plan (1956-61):

The second Five Year Plan Programme for industrialisation was based on the Industrial policy Resolution of 1956 which envisaged a big expansion of the public sector. A base of heavy industry was sought to be created. The actual investment in the public sector on organised industry was Rs. 870 crores. Private sector investment was Rs. 675 crores during second plan period more than envisaged in the plan. Similarly, investment in village and small industries was Rs. 265 crores. Taken together, total investment in industries was Rs. 1810 crores i.e. 27% of the total investment during the second plan.
The second plan witnessed a major diversification of the industrial spectrum. It strengthened further the programme of development in respect of oil exploration and coal and made a beginning with the development of atomic energy. During the second plan three steel plant in the public sector, Rourkela, Bhilai and Durgapur were started.

Most of the investments in the second plan were in heavy and basic industries. There was also rapid expansion of machine building industries for use in agriculture and transport and for such industries as chemicals, textile, fule, cement, tea, sugar, flour and oil mills, paper, mining etc.

In the sphere of village and small industries substantial progress was recorded. About 60 industrial estates comprising 1000 small factories were setup. The period also witnessed the rise of a vigorous class of small entrepreneurs. Production increased from 25 to 50 per cent during the five year period. Khadi, handloom and powerloom cloth production increases from 1610 million metres to 2150 million metres.

**Industries and Third Plan (1961-66):**

The third plan saw the beginning of long-term perspective planning as an instrument to achieve the objective of an integrated growth of industry balanced with agriculture. With the base created in the first two plans, the Third plan called for the maximum rate of investment to (a) strengthen industry, power and transport and (b) hasten the process of industrial and technological change.

The overall financial outlay in organised industries and mining during Third Plan period was Rs. 3000 crores out of which the outlay in the public sector was about Rs. 1700 crores and that in the private sector Rs. 1300 crores.

The key role in industrial development programme was for the public sector. The aim was to make the economy self-sustaining in producer's goods industries such as steel machine building etc. So that the quantum of external assistance needed could be curtailed a very low level. An overall target of 70 per cent increase in industrial production was envisaged in the plan.

Except for the year 1965-66 industrial output increased steadily at the rate of 7.6 per cent per annum. The achievement was lower than the average of 14 per cent
per annum visualised in the plan. Despite the overall under achievement of targets the Third Plan effected the first state of a decade or more of intensive development leading to a self-reliant and self generating economy.

**Industries and the Fourth Plan (1969-74):**

The fourth plan intended to complete industrial projects undertaken in the Third Plan. It also aimed to enlarge capacities in export promotion and import substitution industries.

During the fourth plan, a total investment of Rs. 3050 crores was to be made in the public sector. Besides this, investment in small and village industries in the public sector was planned to be of the order of Rs. 190 crores. However, the actual outlay on organised industry was of the order of Rs. 2700 crores in the public sector. Thus, the financial investment was short of the targets set out in the fourth plan. Nearly three-fourth of the total investment was in the core sector viz. iron and steel, non-ferrous metals.

The performance in industry was for short of even the modest targets set out in the fourth plan. On an average, the growth rate in industry was around 5 per cent which was much below targeted growth rate of 8 per cent envisaged in the plan.

**Industries in the Fifth Plan (1974-78):**

Programme of industrial development in the fifth plan were formulated keeping in view the objectives of self-reliance and growth with social justice. The plan proposed to lay emphasis on the following.

i) Rapid growth of core sector industries by giving high priority to steel, non-ferrous metals, fertilizers mineral oils, coal and machine building.

ii) Enlarging the production of industries supplying mass consumption goods viz. cloth, edible oil etc.

iii) Development of industries which promise a rapid diversification and growth of exports.

iv) Restraint on the production of inessential goods, except for exports.

v) Development of small scale industries.

Against the targeted annual growth rate of 8.1 per cent in the industrial sector, the actual annual industrial growth rate was only 2.4% during 1974-75 and 5.7%
during 1975-76. The average annual industrial growth was of the order of 5.3% during 1974-75 and 1977-78 much below the target.

**Industries in Sixth Plan (1980-85):**

The sixth plan (1980-85) intended to work within the overall developmental strategy particularly with regard to the objectives of structural diversification, modernisation and self-reliance. The overall outlay envisaged in the sixth plan on industry and minerals including village industry was Rs. 22200 crores i.e. 22.8% of the total outlay of the sixth plan. Besides this for the development of energy programme, Rs. 4300 crores were to be spent on petroleum and Rs. 2870 crores on coal industry.

A review of the progress of the industrial growth during the sixth plan reveals that as against the target of 7% growth in industrial productions, the growth rate achieved, however, was only 5.5%. This was lower than the trend growth rate of 6% witnessed in the earlier three decades.

**Industries in the Seventh Plan (1985-90):**

In consonance with the guiding principles of the seventh plan viz. to achieve growth with social justice and improving productivity, the objectives of the development programmes in the industrial sector were:

i) to concentrate on development of industries with large domestic market and export potential to emerge as world leaders in them.

ii) to usher in 'sunrise' industries with high growth potential and relevance to our needs.

iii) to envolve an integrated policy towards self-reliance in strategic fields and opening up of avenues for employment of skilled and trained man power.

The seventh plan provided for an investment of Rs. 19710 crores in large and medium industries and Rs. 2750 crores for the development of village and small industries. Total investment in the industrial sector would thus of be the order of Rs. 22460 crores or 12.5% of the total plan outlay. The annual target growth rate was 8%.

A review of the progress of the industrial growth during the seventh plan reveals that as against the target of 8.7% growth in industrial production, the growth rate achieved however, was only 8.5%. This was marginally more than trend growth rate of 8.5% witnessed in the period.

The Eighth Plan was formulated under a new environment when a number of reforms in industrial fiscal, trade and foreign investment policies were introduced in the economy commonly called as economic liberalisation. In this background, there was emphasis on quantitative target and planning had become more indicative.

Eight plan allocated a total investment of Rs. 38083 crores for industry and mineral production. A review of the progress of actual outlay revealed that at current price Rs. 40759 crores were spent in eight five year plan.

It may be noted that the overall rate of industrial production increased from 2.3% in 1992-93 to 6% in 1993-94, 9.4% in 1994-95 and 12.1% in 1995-96. The year 1996-97 witnessed lower growth rate in all sub-sectors of the industry. Thus industrial production slumped to 7.1% in 1996-97, resulting in an average growth rate of 7.3% against the target of 7.4% in the Eighth Plan.


Growth rate of ninth plan was 9.5%, about Rs. 69972 crores were allotted to industries in this plan. During the first three years of the Ninth Plan, industrial production which slumped to 4% in 1997-98 has recovered to 8% in 1999-2000.

2.5 Large Scale Industries in India:

During 1997-98 there were 19924 large and medium scale industries in India. About 71.9 lakh workers were engaged in these units. Nearly 538455 crores amount was invested in these units during 1997-98. Out of the total factories the share of medium and large scale industries was 10.7%, whereas its share in total employment was 56.4% and 91.8% share was in investment during 1997-98.

Two sets of factors are responsible for industrial sickness exogenous and endogenous. The exogeneous factors relate to such factors as government policies pertaining to production, distribution and prices change in the investment pattern following new priorities in the plans shortage of power, transport, raw materials, skilled labour, deteriorating industrial relations. Such factor are likely to affect all units in an industry. These factors can result in the sickness of the industry and thus deserve corrective action at the level of the state. Large scale industries are facing various problems such as raw material, transport, working capital, old machinery, problem of
skilled workers, strike, lockout, marketing etc.

2.6 Development of Small Scale Industries in India:

A) Definition of Small-Scale and Cottage Enterprises:

A significant feature of the Indian economy since Independence is the rapid growth of the small industry sector. In the Industrial Policy Resolution of 1948 and 1956 the small sector was given special role for creating additional employment with low capital investment. A new thrust was given in favour of small units by the Industrial Policy Statement of 1977. All small-scale enterprises however, had capital investment of less than Rs. 5 lakhs. None of these criteria taken singly would be a determining test as they undergo changes over a period of time.

In 1966, the small-scale enterprises were defined as undertakings with a fixed capital investment of less than Rs. 7.5 lakhs and ancillaries with a fixed capital investment of Rs. 10 lakhs. Investment will imply investment in fixed assets in plant and machinery whether held in ownership term or by lease or by hire purchase. As per the industrial policy statement of May 1990, the investment ceiling in plant and machinery for small-scale industries has been raised from Rs. 35 lakh to Rs. 60 lakhs and correspondingly for ancillary units from Rs. 45 lakhs to Rs. 75 lakhs. Investment ceiling with respect to tiny units has been increased from Rs. 2 lakhs to Rs. 5 lakhs. According to the modified definition, an ancillary unit is one which sells not less than 50% of its manufactures to one or more industrial units.

During 1997, on the recommendation of Abid Hussain Committee, the Government has raised the investment limit on plant and machinery for small units and ancillaries from Rs. 60/75 lakhs to Rs. 3 crores and that for tiny units from Rs. 5 lakhs to Rs. 25 lakhs.

B. Classification:

A common classification is between traditional small-scale industries and modern small industries. Traditional small industries handicrafts, sericulture, coir etc. Modern small-scale industries produce wide range of goods from comparatively simple items to sophisticated products such as television sets, electronics, control system, various engineering products, particularly as ancillaries to the large industries. The traditional small industries are highly labour intensive while modern small units
make use of highly sophisticated machinery and equipment.

One special characteristic of traditional village industries is that they cannot provide full time employment to workers, but instead can provide only subsidiary or part term employment to agricultural labour and artisans.

C. Role of Small Scale Industries in Indian Economy:

The small-scale industrial sector which plays a pivotal role in the Indian economy in terms of employment and growth has recorded a high rate of growth since Independence in spite of stiff competition from the large sector and not so encouraging support from the government. This is evidenced by the number of registered units which went up from 16000 in 1950 to 36000 units in 1961 and to 30.14 lakhs units in 1997-98. During the last decade alone small-scale sector has progressed from the production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control system, microwave components, electro-medical equipments, T.V. sets etc.

D. Output of the Small Industries:

The number of small-scale units have grown from 4.2 lakhs in 1973-74 to 30.14 lakhs in 1997-98. During the same period of 24 years employment has grown from 4 million to 16.72 million and output has increased from Rs. 7200 crores to Rs. 465171 crores.

Table 2.1: Employment, Production and Export of Small Scale Industries in India.

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (Rs. crores)</th>
<th>Employment in lakhs</th>
<th>Exports in Rs. crores</th>
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<td>7300</td>
<td>39.7</td>
<td>393</td>
</tr>
<tr>
<td>1980-81</td>
<td>28060</td>
<td>71.0</td>
<td>1643</td>
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<tr>
<td>1985-86</td>
<td>61228</td>
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<tr>
<td>1997-98</td>
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### Compound growth rate

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<td>1973-74 to 1980-81</td>
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</tr>
<tr>
<td>1980-81 to 1990-91</td>
<td>18.6</td>
</tr>
<tr>
<td>1990-91 to 1997-98</td>
<td>16.9</td>
</tr>
</tbody>
</table>


The value of exports increased to Rs. 1643 crores in 1980-81 and to a record high figure of Rs. 43946 crores in 1997-98.

### E. Interstate Dispersal of Small-Scale Units:

Interstate dispersal of industries indicates that six states viz. Maharashtra, Tamilnadu, West Bengal, U.P., Punjab and Gujarat account 59% of the total units in the small sector, 62% of the total employment, 66% of total investment in fixed assets and 69% of gross output. The states which have lagged behind in encouraging small-scale industries are Rajasthan, Madhya Pradesh and Orissa.

Some concentration was observed in the location of small-scale on account of specialisation by particular district 92% of total woollen hosiery units in Ludhiana, 82% of cotton hosiery in Coimbatore, Ludhiana, Calcutta and Delhi, 63% of bicycle parts and accessories in Ludhiana etc.

### F. Problems of Small-Scale Industries:

Small enterprises are presently seriously handicapped in comparison with larger units by an inequitable allocation system for scare raw materials and imported components, lack of provision of credit and finance, low technical skill and marginal ability and lack of marketing contracts.

Nearly 34.7% units are facing financial problem, 14.4% marketing, 5.6% raw material, 3.7% disputes among the entrepreneurs and employees. It is very essential to solve these problems for smooth small-scale industrial growth in India.

#### 2.7 Industrial Development in Maharashtra:

The manufacturing sector occupies a prominent position in the economy of Maharashtra. Maharashtra is leading in year 1993, the state Government announced its new industrial policy. The salient features of this policy were (a) Simplification of rules as regards purchase of plots for industrial purposes. (b) Liberal financial incentives for industries. (c) Guarantee to provide infra-structural facilities. (d) Special concessions to small industries sector. (e) Promotion to develop agro-processing and
software industries. (f) Crash programme for export oriented industries. (g) Added stress on competitiveness.

The new Industry, trade and commerce policy of Maharashtra was announced in December 1995. The basic approach of this policy is "employment of the people at all levels". The new industrial policy strongly supports liberalisation and believes in freeing different economic agents from the concept of dependency inherent in a controlled regime. The basic approach of the new policy can be summarised as (i) strong support to liberalisation, (ii) simplification of procedure and transparency, (iii) private sector participation in developmental efforts and (iv) trust on infrastructure in developing regions.

A. **Development in Organised Sector**

The era of liberalisation has already given on impetus to the rapid industrial development of the state. The industrial development after liberalisation is also characterised by the participation of Non-Resident Indians / Foreign Investment (NRI/FDI). Nearly Rs.15000 crores was invested by NRI/ FDI in the state of Maharashtra in major projects.

B. **Large and Medium Scale Industries in Maharashtra**

During 1993 there were 2421 large and medium scale industries and about Rs. 48264.24 crores amount was invested in these industries. On 31 March 1999 there were 3088 large and medium scale units in the state of Maharashtra. About 1015 large and medium scale industries and mega projects were under implementation in Maharashtra during 1999.

**Table No. 2.2: Large and Medium Scale Industries as on 31 March 1999**

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of units</th>
<th>Capital investment in Rs. crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Mumbai</td>
<td>1113 (36.04)</td>
<td>29554 (44.25)</td>
</tr>
<tr>
<td>Konkan region</td>
<td>688 (22.28)</td>
<td>15231 (22.80)</td>
</tr>
<tr>
<td>Pune region</td>
<td>428 (13.86)</td>
<td>12161 (18.21)</td>
</tr>
<tr>
<td>Nasik region</td>
<td>328 (10.62)</td>
<td>3007 (4.50)</td>
</tr>
<tr>
<td>Aurangabad region</td>
<td>275 (8.91)</td>
<td>3028 (4.53)</td>
</tr>
<tr>
<td>Amravati region</td>
<td>61 (1.98)</td>
<td>598 (0.90)</td>
</tr>
<tr>
<td>Nagpur region</td>
<td>195 (6.31)</td>
<td>3212 (4.81)</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>3088 (100%)</td>
<td>66791 (100%)</td>
</tr>
</tbody>
</table>

Source: D.I.C. Regional Office Aurangabad.

*Figures in the brackets indicates per centage.*
Table 2.2 reveals that out of the total large and medium scale units nearly 36.04% units were recorded in Mumbai city whereas 22.28% units was found in remaining Konkan region during 1999. The share of Pune, Nasik, Aurangabad, Nagpur and Amravati division were 13.86%, 10.62%, 8.91%, 6.31% and 1.98% respectively as on 31 March 1999.

About 44.25% amount was invested in Mumbai cities large and medium scale units on the other hand nearly 22.8% amount was invested in remaining Konkan region. The shares of Pune, Nagpur, Aurangabad, Nasik and Amravati were 18.21%, 4.81%, 4.53%, 4.5% and 0.90% respectively in 1999. It means that there is wide variation in the distribution of large and medium scale units in the state of Maharashtra.

C. Small-Scale Industries in Maharashtra:

There were 146495 permanently registered units in the state Maharashtra as on 31st March 1999. Out of the total registered S.S.I. units about 86.00% were small scale industry, 9.39% small scale service and business enterprise and 4.61% Maharashtra small-scale industries in the state of Maharashtra as on 31st March 1999. The regionwise break up of the small scale units were as under during 1999.

Table No. 2.3 : Regionwise Distribution of Permanent and Provisional Small Scale Units in Maharashtra.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Region / District</th>
<th>Permanent units</th>
<th>Provisional units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Greater Mumbai</td>
<td>16904 (11.54)</td>
<td>1996 (1.64)</td>
</tr>
<tr>
<td>2.</td>
<td>Konkan Region</td>
<td>14780 (10.09)</td>
<td>13972 (11.49)</td>
</tr>
<tr>
<td>3.</td>
<td>Nashik region</td>
<td>17301 (11.81)</td>
<td>19908 (16.37)</td>
</tr>
<tr>
<td>4.</td>
<td>Pune region</td>
<td>67549 (46.11)</td>
<td>29943 (24.62)</td>
</tr>
<tr>
<td>5.</td>
<td>Aurangabad region</td>
<td>10266 (7.01)</td>
<td>26030 (21.41)</td>
</tr>
<tr>
<td>6.</td>
<td>Amravati region</td>
<td>5550 (3.79)</td>
<td>15350 (12.63)</td>
</tr>
<tr>
<td>7.</td>
<td>Nagpur region</td>
<td>14145 (9.65)</td>
<td>14394 (11.84)</td>
</tr>
<tr>
<td></td>
<td>Maharashtra state</td>
<td>146495 (100)</td>
<td>121593 (100)</td>
</tr>
</tbody>
</table>

Source: Directorate of Industries, Mumbai.

Table 2.2 reveals that out of the total registered S.S.I. units nearly 46.11% units were concentrated in Pune division. The share of Nashik region, Greater Mumbai, Konkan region, Nagpur region, Aurangabad and Amravati region were 10.81%,
11.54%, 10.09%, 9.65%, 7.01% and 3.79% respectively as on 31st March 1999. It means that there is heavy concentration of small scale industries in Pune region. Whereas Amravati is backward in S.S.I. units. The position of other region is not much improved. It is essential to decentralised the S.S.I. units so that regional imbalance can be removed.

As far as provisional units are concerned Greater Mumbai is having only 1.64% provisional registered units. It means that entrepreneurs have started their units in this district. The region like Pune and Aurangabad were having 24.62% and 21.41% provisional units respectively as on 31 March 1999. Nashik region was third in provisional units in the state of Maharashtra during 1999.

D. Role of Different Agencies:

i. Maharashtra Industrial Development Corporation (MIDC):

To accelerate the process of industrialisation in the state, the state Government is implementing following three important programmes through MIDC.

i) Establishment of 68 growth centres covering entire state. 2) Establishment of Min-Industrial areas covering all tahsil in the state and 3) Establishment of 5 central government growth centres.

The MIDC provides entrepreneurs developed plots with necessary infrastructural facilities like internal road, water, electricity and internal services in the industrial areas to promote rapid, orderly growth and development of industries in the state. The MIDC’s has also constructed sheds in the selected industrial areas. The number of areas entrusted for development to the MIDC was 270 industrial areas at the end of March 1999. Of these 270 industrial area 94 were large log mini and 67 growth centres. Out of the total industrial areas nearly 37.41% industrial area's were found in Konkan and Pune region during 1999.
Table No. 2.4 : Status Report of MIDC Industrial Areas as on 31.3.1999

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Region/District</th>
<th>Number of Industrial areas</th>
<th>No’s of Plots</th>
<th>Industries Setup</th>
<th>No. of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Major</td>
<td>Mini</td>
<td>Growth centres</td>
<td>Developed</td>
</tr>
<tr>
<td>1.</td>
<td>Greater Mumbai</td>
<td>01</td>
<td>--</td>
<td>--</td>
<td>330</td>
</tr>
<tr>
<td>2.</td>
<td>Konkan region</td>
<td>29</td>
<td>08</td>
<td>08</td>
<td>15160</td>
</tr>
<tr>
<td>3.</td>
<td>Pune region</td>
<td>23</td>
<td>13</td>
<td>16</td>
<td>11682</td>
</tr>
<tr>
<td>4.</td>
<td>Nashik region</td>
<td>07</td>
<td>13</td>
<td>11</td>
<td>7454</td>
</tr>
<tr>
<td>5.</td>
<td>Aur'bad region</td>
<td>15</td>
<td>17</td>
<td>13</td>
<td>6915</td>
</tr>
<tr>
<td>6.</td>
<td>Amravati region</td>
<td>07</td>
<td>33</td>
<td>09</td>
<td>2537</td>
</tr>
<tr>
<td>7.</td>
<td>Nagpur region</td>
<td>12</td>
<td>25</td>
<td>10</td>
<td>4474</td>
</tr>
<tr>
<td>8.</td>
<td>Maharashtra State</td>
<td>94</td>
<td>109</td>
<td>67</td>
<td>48552</td>
</tr>
</tbody>
</table>

**Source:** Directorate of Industries, Mumbai.

Regarding mini industrial areas Amravati was leading (33 areas) whereas Konkan was least in the state of Maharashtra. Nearly 48552 plots were developed and 40783 plot were allotted to the entrepreneurs. Pune region was ranking first in number of plots whereas Amravati was lowest in developed plots. Nearly Rs. 24883.37 crores amount was invested by the MIDC in the industrial area. Pune region was first in investment whereas Amravati was last in the investment in MIDC areas. About 24.68% employment was found in Pune region on the other hand only 2.48% employment was engaged in the Amravati MIDC area as on 31st March 1999. Nearly 3857 units were under construction during 1999.

**ii. Co-operative Industrial Estates:**

Other than MIDC area, the state Government has also undertaken a programme of developing industrial estates, primarily on co-operative basis and 135 co-operative industrial estates have been registered in the state till the end of March 1999. Nearly 5013 industrial units were setup in the co-operative industrial areas and 100486 employment was created by these co-operative industrial areas. Out of the 135 co-operative industrial estates nearly 55.56% co-operative industrial estates were found in Pune and Nashik region. The total share capital from the state Government was 9.91 crores at the end of March 1999. The new Industry, Trade and Commerce Policy 1995 of the state proposes to use the Maharashtra Industrial
Development Act. to acquire necessary land for co-operative industrial estates. The programme of mini-industrial area’s is also proposed to be executed henceforth through co-operative industrial movement. The policy proposes MIDC’s help to co-operative estates in the form of technical inputs like preparation of schematic layouts, advising of water source etc.

iii. **Maharashtra Small Scale Industries Development Corporation (MSSIDC):**

The MSSIDC was incorporated in 1962 with the objectives of assisting the development of small scale industries in the state. MSSIDC’s activities cover procurement and distribution of raw materials required by small-scale industries assistance in marketing their product and to make available facilities warehousing and handling of material to small-scale industries required. The total turnover of the MSSIDC was Rs. 3116.54 crores in 1999 whereas it was about 232.55 crores in 1998-99.

iv. **SICOM :**

The objectives of SICOM is to encourage and actively promote industrial development of the underdeveloped areas of Maharashtra state and to influence the locational decisions to be taken by entrepreneurs in favour of such underdeveloped areas. Towards this end, SICOM was offers financial technical and other assistance to entrepreneurs to set up industries in various parts of the state. As the state government reduced its share holding in SICOM, it has became an independent corporate company now. SICOM has assisted about 3248 units since its inception to 31st March 1999 and about Rs. 2905.62 crores amount was sanctioned by it since its inceptions.

v. **Maharashtra State Financial Corporation (MSFC) :**

Maharashtra State Financial Corporation was established in 1968. The Government of Maharashtra has continued the policy of promoting industrial growth and dispersal of industries to the underdeveloped areas in the state through financial incentives. The government achieves its objectives through specially created institutions such as SICOM, MSFC etc. Maharashtra state financial corporation has sanctioned loan to the 57839 units since inception upto 31st March 1999. The total amount of sanction was Rs. 325592.57 crores and disbursement amount was Rs. 233290.24 crores since its inception upto 31st March 1999.
2.8 Industrial Development in Pune Region:

This region covers the district of Pune, Satara, Sangli, Kolhapur and Solapur. There were 23 major, 13 mini and 16 growth centres as on 31st March 1999. About 11682 plot were developed by the MIDC and 10158 plot were allotted to the entrepreneurs during 1999. There are 42 co-operative industrial estates in the Pune region and 2403 units are concentrated in these co-operative estates.

About 41826 educated unemployed were sanctioned a loan of Rs. 22708 lakhs under Prime Minister's Rozgar Yojana since inception to 31st March 1999. Highest benefit was obtained by the Pune district whereas the lowest benefit was achieved by Sangli district.

Industrial areas are found at Pimpri-Bhosari, Talwade, Chakan, Jejuri, Kurkumbh, Pandhare, Bhigwan, Pune, Infotech Park, Satara, additional Satara, Wai, Rurad, Koregaon, Patan, Islampur, Sangali-Miraj, Jat, Kavathe-Mahankal, Kadegaon, Palus, Kolhapur, Kolhapur (Shiroli), Ajara, Chincholi, Solapur, Tembhurbni etc.

Maharashtra state financial corporation was sanctioned loan to the 11407 units since its inception on the other hand it was sanctioned amount of Rs. 61123.29 lakh since its inception up to end of March 1999. There were 248 large and medium scale units as on 31st March 1999 in Pune region. Out of the total large and medium scale units nearly 46.49% units were concentrated in Pune district whereas only 41.02% units was concentrated in Solapur district. About 67549 small-scale units were permanent registered in Pune division in 1999. Out of the total permanently units about 60.71% S.S.I. units were found in Pune district and only 11.68% S.S.I. units concentrated in Solapur district. About 29943 S.S.I. units were provisionally registered in Pune division as on 31st March 1999. Out of the total provisionally registered S.S.I. units nearly 29.50% units were found in Pune district whereas 16% provisionally units were recorded in Solapur district as on 31st March 1999.

2.9 Summary:

i) Since the adoption of 1948 Industrial Policy Resolution significant development took place in industrial development in the various parts of the nation. The industrial policy Resolution of April 1948 contemplated a mixed economyreserving a sphere of private sector and another for public sector. Particularly due to this policy
Govt. of India has brought significant change in large and medium scale industries.

ii) Industrial policy resolution of 1956 encourage to village and small scale industries. The resolution stressed the necessity of reducing the regional disparities in levels of development in order that industrialisation may benefit the country as whole. This policy has given fair and non-discriminatory treatment for the private sector. In order that the private sector may feel confident and function efficiency the state (Nation) was to facilitate and encourage the development of industries in private sector by ensuring the development of transport, power and other services and by appropriate fiscal and other measures.

iii) According to industrial policy 1977 the role of large scale sector would the related to the programme for meeting the basic minimum needs of the population through wider dispersal of small-scale units and village industries in the nation. Industrial policy 1991 allowed to foreign invesrer in the investment in our country therefore industrial structure has changed tremendous in India. The share of industry in gross domestic product was only 26.1% during 1997-98. It is essential to increase the industrial share in national economy.

iv) The government of India launched the process of industrialisation as conscious and deliberate policy of economic growth in early fifties. Indian industrial sector made tremendous progress in Five Year Plans. The number of small-scale units have grown from 4.2 lakhs in 1973-74 to 30.14 lakhs in 1997-98. During the same period of 24 years employment has grown from 4 million to 16.72 million and output has increased from Rs. 7200 crores to 465171 crores.

Small scale sector suffering from various problems in India. Nearly 34.7% units are facing financial problem, 14.4% marketing, 5.6% raw material, 3.7% disputes among the entrepreneurs and employees. It is essential to solve these problems for smooth S.S.I. development.

v) Out of the total large and medium scale industries about 58.32% industries are concentrated in Konkan region and Mumbai city. Only 1.98% units were concentrated in Amravati division as on 31st March 1999. It mean's that the is need to decentralised the large units in the various backward areas of the state like, Aurangabad, Amravati and Nagpur. Out the total small units about 46.11% perma-
nently registered units were found in Pune region whereas only 3.79% S.S.I. units were concentrated in Amravati region as on 1999. Various institutions have motivated the industrial sector in the state i.e. MSFC, SICOM.

vi) Out of the total large and medium scale units nearly 46.49% units were concentrated in Pune district whereas only 14.02% units were found in Solapur district. Out of the total S.S.I. permanently units nearly 60.71% units were found in Pune district on the other hand 11.68% S.S.I. permanently units were found in Solapur district during 1999. It means that there is variation in industrial development in Pune division. Physical and non-physical determinants are responsible for the regional variation in the Pune division.

- References -

3. Ibid p-17.

***