CHAPTER - II

GROWTH OF PUBLIC SECTOR AFTER INDEPENDENCE
IN INDIA AND IN JAMMU AND KASHMIR STATE
Before Independence the government's policy towards industrialization was more or less that of indifference. The government followed the policy of laissez-fair as such it did not take any interest in the promotion of industries. Whatever industrialization had taken place was confined to few consumers goods industries and that too had also taken place due to the impact of the two world wars. But with the achievement of independence in 1947 the government's attitude appropriately enough underwent a welcome change. They political elites became conscious of accelerating the pace of industrialization. The government, therefore, formulated an industrial policy and then the Prime Minister of India, Pt. Jawaharlal Nehru placed it before the parliament on the 4th April for endorsement. This industrial policy is known as the Industrial Policy of 1948.

(1) Industrial Policy of 1948 - This industrial Policy marked the beginning of public sector industries. Following are the salient features and steps taken by the government for the expansion of Public Sector:

(i) **FOUR-FOLD CLASSIFICATION OF INDUSTRIES**

The first industrial policy envisaged a mixed economy. 1st category consisted of those industries which would be the exclusive responsibility of the government. Six industries such as Defence Industries, Atomic Power, Generation of Electricity, Transports and Railways etc. were included in this category.
The Ind list was of those industries which were the basic industries of the country and as such vital for country's development. Those industries would be gradually taken over by the government. The new units in such industries would be started by the government alone, though the existing units under private management would be allowed to continue. This category included Iron and Steel Industry, Heavy Electrical Goods Industry so on and so forth.

The third category was of those industries which would be allowed to continue in the private sector but subject to the overall control and supervision of the government.

Fourth category was of those industries which would be left to the initiative and enterprise of the private sector.¹

Secondly in this industrial policy the government emphasized the development of small scale and cottage industries. Thirdly the government stressed the need for establishing cordial relations between the workers and the employers. Fourthly, the government welcomed the investment of foreign capital in various industries with a view to supplementing production. However, the capital was to be so invested as not to jeopardise the country's economic interest. Fifthly, the industrial policy was to be so designed as to increase production and protect the industries against any foreign competition. The Industrial Policy 1948, for

the first time assured in an era of mixed economy. It marked the beginning of Public Sector Industries in India. The State began to play an active role in promotion of industrialization.

INDUSTRIAL POLICY Resolution Of 1956

This resolution was based on the following statement:

"The adoption of the socialistic pattern of society as the national objective, as well as the need for planning and rapid development requires that all industries of basic and strategic importance, or in the nature of public utility services, should be in the Public Sector. Other industries which are essential and require investment on a large scale which only the state, in present circumstances could provide, have also to be in the Public Sector."

Industries were, under the 1956 Resolution, divided into three categories depending on the role of the state in the development of each.

Category I consisted of industries like arms, ammunition and defence equipment, Iron and Steel, Heavy Casting and Fogings, Heavy Electrical Plants, Coal, Mineral Oils, Important Minerals, Aircraft and Ship-building etc. The development of these industries was made the exclusive responsibility of the state, however, it was stated that the government would not prevent the existing industries from functioning in the private sector and would secure their cooperation in taking up such enterprises in the Public Sector, if necessary, in the national interests.

Category II consisted of items like machine tools, ferro-alloys, anti-biotics and another essential drugs, fertilizers and such like products. The resolution stated that these industries would be progressively state owned. The private enterprises could, however, supplement the efforts of the state, if necessary.

The remaining industries of the general nature have been left to the private sector though legally the state has the right to engage in them, if necessary.

The fields in which the state subsequently entered as a result of this policy were petroleum, heavy electricals, heavy castings and forgings, scientific instruments, radio equipments, ship-building, coal, steel, machine-building and atomic power.

The policy of the government is to encourage the expansion of Public Sector so as to attain the higher goals of a socialistic pattern of society. Thus the state has been entering more and more in the field of direct production in the Industrial sector through its own investment and enterprise and it has been continuously interferring in the Private Sector.

Public Sector interferred in the Private sector by rationalising various banks, industries, and firms from time to time since independence. It will be recalled that many of the Indian Railway systems originally were constructed and managed by private

3 Jaiswal, S. L., "The Public Sector in India" - A Free and Frank Study of the working of the Public Sector enterprises in India, pp 5-6.
Railway systems originally were constructed and managed by private companies but in reality the government exercised a thoroughgoing control both in the construction and in the maintenance and administration of the Railways. After, of course, all the railways were finally and fully nationalized and they now form the greatest public enterprise in India. In 1953 air transport was nationalized and the instrument chosen for its management was a corporation. The Reserve Bank was nationalized in 1949. Later the former Imperial Bank was nationalized and its place was taken by the State Bank of India in 1955. In 1969, in the midst of a stormy intra-party struggle which split the ruling congress party from top to the bottom, the fourteen major banks were nationalized. In 1956, L.I.C. was nationalized, subsequently, General Insurance was also nationalized in 1971. A scheme was started to take over some "sick mills, mainly cotton mills, to refurbish them and to improve their working. In June, 1976 three leading engineering firms were nationalized. Burn & Co, Braith Waite & Co., and Indian Standard Wagon Co. In mid 1976 Indian Iron was also finally nationalized. The coal Industry was broadly divided into two categories. The mines producing coking coal, and the others producing non-coking coal. The coking coal Industry was nationalized. First, and in 1973 all the coal mines producing non-coking coal were also nationalized.

Act of Parliament. In 1975-76 Burma-Shell was also nationalized. The oil Industry has been progressively taken over from foreign oil firms operating in India, through the process of negotiation. Then in April, 15, 1980, six private commercial Banks were nationalized. Maruti Limited was also nationalized in 1980-81 and was included in the Public Sector. In 1984, Twelve Bombay Textile Mills were nationalized.

**CHRONOLOGY OF PUBLIC SECTOR EVENTS SINCE INDEPENDENCE**

1948 Atomic Energy Commission; Damodar Valley Corporation; Indian Telephone Industries; Industrial Finance Corporation set up.

1949 Reserve Bank nationalised.

1950 Indian Rare Earths set up; Chittaranjan Locomotive Works start production.

1951 Central Water and Power Commission; Travancore Cochin Chemicals set up.

1952 Hindustan Cables and Nahan Foundry set up.

1953 Hindustan Machine Tools Ltd., Air India; Indian Airlines; National Research Development Corporation set up.

1954 Hindustan Steel, Hindustan Insecticides; Bharat Electronics; Hindustan Antibiotics, National Industrial Development Corporation set up.

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7 Economic Times, New Delhi, April 15, 1980
8 Economic Times, New Delhi, March 8, 1984.
1955  State Bank of India set up; nationalising the old Imperial Banks, National Small Industries Corporation, Ashoka Hotels; Oil and Natural Gas Directorate set up; Hydro-electric and Irrigation Projects speeded up.

1956  State Trading Corporation; Heavy Electricals; Oil and Natural Gas Commission; National Coal Development Corporation, Neyveli Lignite Corporation set up, Life Insurance Corporation set up; nationalising 245 Life Insurance Companies.

1957  National Instruments; Central Warehousing Corporation; National Projects Construction Corporation set up.


1959  Oil India; Rehabilitation Industries Corporation set up; Majority shares in Praga Tools acquired.


1961  Fertilizer Corporation, Indian Drugs and Pharmaceuticals, Shipping Corporation set up. Hindustan Shipyard acquired.
1962 Oil Production at Ankleshwar, Expansion of several Public Undertakings.

1963 National Seeds Corporation, National Cooperative Development Corporation, Indian Motion Pictures Export Corporation; Janpath Hotels, Minerals and Metals Trading Corporation; Cochin Refineries, Bokaro Steel; Export Credit and Guarantee Corporation, Unit Trust of India, Central Road Transport Corporation, Instrumentation Ltd, Bharat Earth Movers; Hindustan Steel Works Construction, The Metal Scrap Trading Corporation, Indian Oil Corporation, Hindustan Aeronautics set up; Committee on Public Undertakings of Parliament established.

1965 Indian Rare Earths; Cement Corporation of India, Food Corporation of India, Engineers India; Mining and Allied Machinery Corporation; Triveni Structural, Central Fisheries Corporation, Modern Bakeries, Bharat Aluminium, Madras Refineries set up. Bureau of Public Enterprises established.

1966 Hindustan Zinc, Hindustan Latex, Bharat Heavy Plate and Vessels, Lubriz of India, Madras Fertilizers set up.

1968 National Textile Corporation set up, Commissioning of a large numbers of Hydro-electric and Industrial Public Undertakings.


1971 Oil struck in the First off-shore oil-field, Jute Corporation of India, Projects & equipment Corporation set up.

1972 Bharat coking coal nationalising 214 coking coal mines, International Airports Authority; Cochin Shipyard; Bharat Gold Mines, Bharat Refractories, Mineral Exploration Corporation, Salem Steel set up. Balmer Lawrie & Co. taken
over by Purchase of Controlling share-holding; Indian Iron and Steel Management taken over, Public Investment Board set up. General Insurance Corporation of India set up to take over and manage the nationalized general insurance business.


1974 ESSO Refinery taken over. First Oil struck in the deep-sea Bombay High field. Steel Authority of India Ltd, Central Electronics, Hindustan Petroleum Corporation, Natural Fertilizers, Wagon India set up.

1975 Central Electronics, Hydro-carbons India; Rail India Technical and Economic Services, Electronics Trade and Technology, Artificial Limps Manufacturing Co., Bharat Refractories set up.

1975-76 Burn & Co., Indian Standard Wagon Braithwaite & Co. taken over. Bharat Refineries, Bombay, Central Coal fields Ranchi,
Central Mine Manning & Design Institute, Coal India; Computer Maintenance Corporation, Dredging Corporation of India, Eastern Coal fields, Assansol; H.M.T. Inter-National, Kudre mukh Iron Ore, Bangalore; National Hydro-Electric Power Corporation, National Thermal Power Corporation; State Chemicals & Pharmaceuticals Corporation of India; Western Coal fields, Nagpur, Indian Railway Construction set up. Burma-shell nationalized.

1980 Six Private Commercial Banks were nationalized.

1980-81 Mauruti Limited was nationalized.

1984 Bombay textile Mills were nationalized and included into Public Sector.

2. Economic Times, New Delhi, April 15, 1980
3. Economic Times, New Delhi, March 8, 1984

Public sector has come into being for a variety of reasons, such as:

(a) Inability of private sector to muster enough venture capital;

(b) Inability of private sector to attract capital in projects which have long gestation periods and which involve much capital and complex technology.

(c) To develop backward regions, and to correct regional imbalances;

(d) To create employment in areas of chronic unemployment;

(e) To provide infra-structural facilities for economic development;

(f) For strategic reasons;

(g) To develop self-reliance in technologies

(h) To implement labour-intensive technology wherever appropriate.

(i) To prevent concentration of economic power in private hands;

(j) For revenue motives and

(k) To produce mass consumption items at cheap prices, and so on.\textsuperscript{10}

The Public Sector in Jammu and Kashmir has been assigned the following objectives:

1 To modernize and expand to full capacity the existing industries.

\textsuperscript{10} Bandyopadhyay, The Congress and Democratic Socialism, AICC Publication, p 26.
2. To be supportive of high priority development programme and organize production accordingly.

3. To organize production which is economical and profitable.

4. To encourage regional development of all areas and

5. To help development of small scale industries based on semi-finished products produced by the Public Sector Industries.

To achieve these objectives, the administration of the Public Sector industries has been thoroughly recognized. There are 14 government companies, out of these 11 are wholly owned by the State Government and 3 companies are jointly owned with Central Government, 4 statutory corporations and seven departmentally managed government commercial/quasi commercial undertakings.

The Statutory Corporation are:

1. Jammu and Kashmir State Road Transport Corporation;
3. Jammu and Kashmir State Forest Corporation; and

Following are the government companies wholly owned by the State Government:

5. Jammu and Kashmir State Agro-Industries Development Corporation Limited

The departmentally managed Government Commercial/quasi commercial undertaking are:

2. Government Press, Jammu
4. Food and Supplies Department, Jammu
5. Food and Supplies Department, Srinagar
6. Government Lumbering Undertaking, Srinagar
7. State Insurance Scheme, Srinagar
8. Milk Supply Undertaking Srinagar

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The two oldest Public Sector Undertakings regulating/operating/controlling various manufacturing public sector industrial units set up by the state government are Jammu and Kashmir Industries Ltd. and Jammu and Kashmir Minerals Ltd. A brief history of these two big Public Sector Undertakings and of the various manufacturing Public enterprises controlled by these two big Public sector undertakings of Jammu and Kashmir State are as follows:

**IN-CORPORATION OF JAMMU AND KASHMIR INDUSTRIES LTD.**

Most of the state run industrial units including silk industry were not doing well in early 1960's. The state government set up an expert committee for identifying reasons contributing to the ill health of those units and recommended remedial measures for bringing improvements and over-all viability of these industrial units. In pursuance of expert advice, a wholly owned state government company under the name and style of Jammu and Kashmir Industries Ltd. was incorporated on 4th Oct, 1963 to run and manage 21 sick undertakings transferred to it by the state government.

In January 1964, the government took back 5 units with retrospective effect from the date of incorporation of the company one unit., viz. Kashmir Government Arts Emporium, was transferred to the Jammu and Kashmir Handicrafts (Sales and Export) Corporation Limited with effect from 9th June, 1970 and the
developing wing of the Sericulture was taken over by the government in July, 1972. The company after its formation, added four new units, viz. Woollen Mills, Bemina, Rosin and Turpentine Factories at Sunderbani and Rajouri and New Joinery Mills, Jammu and gave away on lease two units viz. Match Factory, Baramulla and Leather Tanneries, Srinagar, to private parties. One Unit viz. Brick and Tile Factory, Pampore was transferred to Jammu and Kashmir Projects Construction Corporation Limited in April, 1980. A combing project taken up for execution in May, 1971 was transferred to a new State Government Company, viz., Himalayan Wool Combers Limited in January, 1978. At present the company has 16 industrial units. Those industrial units are:

1. Jammu and Kashmir Silk Filatures, Jammu
5. Bemina Woollen Mills, Bemina, Srinagar
6. Spinning Mills, Nowshehra, Jammu
7. Knitting Factory, Jammu
10. Kashmir Willows, Jammu

11. Rosin and Turpentine Factory, Miranshain, Jammu
12. R & T Factory, Rajouri, Jammu
13. R & T Factory, Sunderbani, Jammu
14. Sole Leather Plant, Muthi, Jammu
16. Plyboard Industries, Pampore

JAMMU AND KASHMIR MINERALS LIMITED

Jammu and Kashmir Minerals Limited: a Jammu and Kashmir Government's Undertaking was established in February, 1960 (5.2.1960), with a broader objectives of exploitation of minerals and establishment of mineral-based industries in the state. The corporation is operating/developing coal mines at Kalkot. Lignite Mines at Nichahoma and Gypsum Mines at Assar and Kanga and Buniyar small cement factory at Wuyan a Pre-cast concrete factory in the valley and a precast concrete factory at Jammu are also being operated by it. Besides extraction/refining of Borax from Pugga valley in Ladakh District has also been taken up in hand. The extraction of Marble at Kupwara has also been taken up recently.

The corporation, envisages not only to expand the existing units but also to set up new units. Thus following are the units operating and new schemes with the corporation:

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<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of the Scheme</th>
<th>Year of Commission</th>
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<tbody>
<tr>
<td>1</td>
<td>Kalakot Coal Mines</td>
<td>1961</td>
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<td>2</td>
<td>Pre-cast Concrete Factory, Jammu</td>
<td>1975</td>
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<td>3</td>
<td>Precast Concrete Factory (Wuyan)</td>
<td>1963</td>
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<td>4</td>
<td>Gypsum Mines</td>
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<td></td>
<td>a) Assar (Doda)</td>
<td>1974</td>
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<td>b) Kanga (Ramban)</td>
<td>1978</td>
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<td></td>
<td>c) Buniyar (Baramulla)</td>
<td>1962</td>
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<td>5</td>
<td>Wuyan Cement Factory</td>
<td>1963</td>
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<td>6</td>
<td>Lime Stone Quarry</td>
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<td>7</td>
<td>Borax/Sulphur Mines</td>
<td>1963</td>
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<td>8</td>
<td>Nichahoma Lignite</td>
<td>1962</td>
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<td>9</td>
<td>Kupwara Marble (Trial run)</td>
<td>1983</td>
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<td><strong>New Schemes</strong></td>
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<td>10</td>
<td>Magnesite Project</td>
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<td>11</td>
<td>Manufacture of Boric Acid</td>
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<td>12</td>
<td>Puzzolana Project</td>
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<td>13</td>
<td>Prestressed Cement Pipe Concrete Factory</td>
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<td>14</td>
<td>Alum Project</td>
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<td>15</td>
<td>Plaster of Paries Unit 16”</td>
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Thus the total public-sector manufacturing industrial units which have been put into operation, controlled by these two major public corporation viz., Jammu and Kashmir Industries Limited and

Jammu and Kashmir Minerals Ltd. are twenty five. These public enterprises of Jammu and Kashmir face many organizational, management, administrative and financial problems and as a result retard economic and industrial development of the state. These problems faced by public sector industrial units are discussed in the following chapters.