CHAPTER - I

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Industrialization is believed to be a definite and quick way to economic development of any backward and underdeveloped economy in the world. It has therefore been invariably the most predominant component of the historic development strategies in developed countries. The developing countries like India, which are now more or less passing through the earlier stages of economic development in their economic history are seriously opting to the scheme of industrialization in their global policies of planned economic development.¹ The Third world countries have observed that there is a strong and positive connection between the wealths and standard of living of a country and the extent of its industrialization.² It is fact, that industrialization is a process which increase income levels, productivity, employment opportunities, promotes agricultural development, strengthens foreign trade and strategic industries in the country. The overall objective of industrialization has always been economic growth and the improvement of living standards.³

In India planned industrialization has been apprehended after 1947. The Planning Commission was set up in 1950 to

formulate plans for the most effective and optimum utilization of the national resources with the objective of contributing to the achievement of the socio-economic goals of national development. The First Five Year Plan was launched in April 1951. Government laid the foundation of heavy and basic industries in every part of the country with great emphasis on agricultural development for the purpose of self-sufficiency in this sector. Though India is still primarily an agrarian society, she is one of the largest industrial powers of the world and has taken rapid strides in industrialization though the development has been characterized by deficiencies and lopsidedness. Large investment have been made in building up capacity over a wide spectrum of industries. In the three decades of industrialization since the commencement of planning, the index of industrial production registered five-fold increase and the share of manufacturing, mining and construction in the GDP increased from about 15 percent in 1950-51 to about 25 percent today. The average growth rate of industrial sector including mining, manufacturing and electricity generation during the Seventh Plan period was 8.5 percent which though marginally lower than targetted 8.7 percent was much higher than that achieved during the Sixth Plan.

But the pattern of industrialization with a bias attitude towards public sector failed to fulfilling the desired goals of industrial planning. The poor performance of public undertakings and the restricted private sector led to some deterioration in the rate of industrial growth. The growth of basic industries such as Iron steel, Textile, Jute, sugar, cement, paper, Newsprint, Fertilizer, Engineering, Machine tools, Electronics, Food Processing and Power, which are mainly in public sector, suffered a steep decline. The main problem of these basic industries in the growth of installed capacity has not been very satisfactory. Therefore, it has been considered highly important to study the productive and capacity of major industry and its capacity utilization in the country.

We have selected three basic industries namely Power Fertilizer and Cement industry for the study of its capacity utilization in our country. These industries have greater importance for the development of both agriculture and industrial sectors. The importance of fully utilizing the installed capacity needs no emphasis. Under-utilization of capacity not only amounts to wastage of scarce resources but also leads to cost push inflation. It might also
create demand supply imbalance and affects the balance of trade, employment, saving and investment.

Objectives of the Study:

The general objective of the study is to examine the performance of selected basic industries, with regard to production and capacity utilization in the respective industries and to study how far these industries have met the demand for their products in India. It includes:

1) To highlight the problems of industrial production, productivity and its growth since pre and post independence.

2) To judge the establishment, production, consumption and their export-import of power, fertilizer and cement industry of India since 1980.

3) To evaluate the install capacity utilization and problems of these basic industries.

4) To examine the basic government policies regarding selected basic industries, and
v) To suggest some measures to revamp the problems and further improvement of power, fertilizer and cement industry in India.

Scope and Methodology:

Basic industries have important influence on the structure and balance of agricultural and industrial production especially demand for foodgrains and other industrial outputs which provide the base for economic growth in developing countries like India. The scope of present study is, however, limited only to the first, namely the study of selected basic industries such as power, fertilizer and cement industry of India. Further the present study encompasses the period from 1980 onwards, i.e., the period of more than fifteen years. This period has been known as a crucial from the point of view of capacity utilization in basic industries and other issues like demand and supply pertaining to these industries. The significance lies in the fact that after 1952 industrial policy for industrial development the issues and problems of basic industries have been widely debated since the early 1980 an opinion started to be formed for introduction of privatization. This period of 15 years is
is sufficiently enough to arrive at a meaningful conclusion.

The methodology in this thesis is analytical in nature. We have tried to examine the problems relating to the subject with help of the data, taken from secondary sources mainly from the economic Intelligence Service (CMIE) and Fertilizer Association of India. Other sources are too numerous to be mentioned here. Due acknowledgements have been given to them at appropriate place. Statistical tools have also been used to process the data and to reach the meaningful results.

Plan of the Study:

The plan of the study is as follows:

Chapter II discusses the industrial set-up and structure in India from pre and post Independence.

Chapter III highlights the establishment and progress of selected basic industries in India namely power, fertilizer and cement industry.
Chapter IV analyses the trends of cement, fertilizer and power production, consumption and their exports-imports in India.

Chapter V deals with the utilization of capacity and problems of these basic industries of India from 1980 onwards.

Chapter VI highlights the Government Policy of basic industries in India and to make a critically assessment. It also throws light upon power, fertilizer and cement industry development and protection of these industries interests.

Finally, Chapter VII offers a summary and the main conclusions of the study with some important suggestions.