CHAPTER I

INDUSTRIALISATION AND ECONOMIC DEVELOPMENT
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INDUSTRIAL DEVELOPMENT

Generally "industry" refers to any manufacturing activity. According to Industrial Dispute Act, "Industry means any business, trade undertaking, manufacture or calling of employees and includes calling service employment, handicrafts or industrial occupation and avocation of workmen. According to Pei-Kang "Industry is a process in which changes of a series of strategical production functions are taking place. It involves those basic changes that accompany the mechanisation of an enterprise, the building of a new territory. This is in a way a process of deepening as well as widening of capital".

Industrial development implies not only the growth of industrial units but also certain basic changes in the structure, technology and organisation of economic activity. Industrialisation can be described, more specifically, as a process in which changes of a series of strategical production functions take place, following from such phenomenon, as mechanisation of enterprise, the building of a new industry, the opening of a new market and the exploitation of a new territory. Thus, industrialisation in a way involves the process of both the deepening and widening of capital.
Simon Kuznets defines industrialisation as "the permanent growth of the proportion of the non-agriculture sector within the national economy running with considerable income of the total industrial production as well as with the spread of up-to-date technology.

However, industrialisation depends upon the degree of population pressure against land resources, the extent and quality of productive ingredients available, the type of industrial development contemplated. It also depends upon the size of potential market for industrial output that will add to customary raw material output, an increase in per capita productivity and therefore, an increase in real per capita income automatically.

1.1: INDUSTRIALISATION AND ECONOMIC DEVELOPMENT

An increase in the share of industrial sector to the Gross Domestic Product of a country indicates its economic development. Rapid expansion of industrial sector can be achieved through industrialisation. Machanisation of farm practices increases efficiency of agricultural sector and its contribution to the Gross Domestic Product. Industrial progress enables agricultural efficiency to increase by
shifting people from agriculture to industry, particularly where there is rural over population.

On the other hand, improvement in the production of agriculture, which is the input for industries, is one of the important ways to promote industrialisation. Substantial modernisation of agricultural sector helps industrial expansion to proceed at a rapid speed.

In the initial stages industrialisation leads to increasing employment of workers in the secondary and tertiary sectors for the surplus labour from agriculture sector. During the process of industrialisation the demand for food and raw materials increases and as a consequence wages in the agricultural sector also increases leading to an increase in the standard of living.

Industrialisation changes the occupational structure of the economy in respect of inter-sectoral employment and income. Industrialisation with innovations and modern technology raises the wages and the living standards of people. Growth of income leads to a rise in the capital assets used. Enhanced productivity of workers raises the level of National output and income, which may lead to a higher rate of savings
and investment in the economy. This may further lead to increase in the National Income.

Technology, in fact, can be thought of as a primary resource\(^1\). To catch up with the rapid industrialisation, obtaining in most of the developed countries, availability of modern technical know-how is essential.\(^2\) Machanisation and modernisation of agriculture and adoptability of modern technology in the process of industrialisation are responsible for the development of the economy.

However, the direction and pattern of industrialisation differs between the countries and between the regions. The level of industrialisation depends upon the responsibility assumed by the Government and/or individuals in the country. At the beginning involvement of Government and encouragement to the private enterprise are necessary for rapid industrialisation.

Further, the strategy of industrialisation vary from country to country. The importance of consumer goods

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and capital goods depends upon the stage of development of an economy. The distribution of national investment between consumer and capital goods determines the nature, growth and development of an economy.

Generally consumer good industries are assigned higher priority in the initial stages of economic development. In otherwords, a developing economy prefers the establishment of light and resource base industries like food processing, leather, textile and others and gradually proceeds to start heavy and basic industries. Heavy investment in basic and capital good industries plays a dominant role in the rapid economic development of a country.

1.2: NEED FOR INDUSTRIALISATION

From the experiences of developed economies it is realised that industrialisation is a pre-requisite for economic development. Increasing share of industrial activity reduces the role of agricultural activity. It is necessary in an agricultural dominant economy like India, to reduce the share of agriculture and increase the role of industrial sector. As a result, the benefits of industrialisation will spread over the other sectors of the economy.
Industrial development should begin with mechanisation and modernisation of Indian agriculture by supplying farm machinery, fertilisers and other inputs to raise the efficiency of agriculture. It is also necessary to shift the underemployed and unemployed workers in agriculture to industrial sector which provides new employment opportunities. As a result, the productivity of agriculture sector increases and its contributions to aggregate output also increases.

There is a need for rapid industrialisation in an over populated country to provide employment opportunities on a large scale. According to Mount Joy "industrialisation, to provide work for growing population is the only solution in densely populated economies."

Industrialisation leads to urbanisation as it stimulates communication, training, interaction within the industry and necessitates the provision of infrastructural facilities like transport, electricity, marketing, banking services etc. Diversified industrial production reduces the dependence on imports, promotion of exports and stabilizes foreign exchange earnings. Further, in countries which export primary products and import manufacture goods industrialisation helps to reduce the adverse effects of price fluctuations.
by concentrating on establishment of import substituted and export oriented industries.

**Industrialisation through modernisation and large scale production of a variety of goods and services, gives philip to the psychological status of the people and makes them feel that they are marching towards a higher standard of living. Further, it also brings balanced regional development and more equitable distribution of income in the society.**

**Industrialisation helps to mitigate the problem of inter-regional migration.** The establishment of manufacturing industries in rural areas provides employment to the surplus rural population and thereby reduces the migration of a large section of the able bodied persons from rural areas to wage earning occupations in urban areas. The process of industrialisation may be attended by some of the less desirable social activities that may lead to social change.

Adequate natural resources enable any economy to embark upon higher industrial projects. However, plenty of resources available in an economy can not speed up industrialisation. Proper use of the available resources should be there.3

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It is observed that in most of the developing economies industrial growth is poor not because of lack of natural resources but only due to underutilisation of available resources.\(^4\)

Hence, a policy of industrialisation with forethought and careful planning is necessary for the development of the economy. A sound industrial policy, pursued with care and caution, could mean a new base of life creating opportunities for regular employment leading to a better standard of living of the people.

The extent of industrialisation distinguishes the countries as developed and developing economies. Hence, rapid industrialisation is indispensable for the developing economy like India to promote the standard of living of the people by increasing their incomes.

1.3: METHODOLOGY AND SCOPE OF THE STUDY

It is realised that rapid industrialisation is an instrument to break the vicious circle of poverty and hence

it has become an unseparable part of development process. The policy makers and planners viewed it as a most acceptable means to generate dynamism in growth process. Hence, District Industries Centres and other agencies are established in all districts of the State to promote the rate of growth of industries by offering loans, subsidies and supplying raw materials to the entrepreneurs.

Anantapur is one of the industrially backward districts of Andhra Pradesh and efforts are being made to promote industries in this district. In this context, it is intended to study the role of industries in the development of the district economy. The main objectives of the present study, simple but relevant, are to

1. examine the nature and type of industries in Anantpur district,
2. assess the growth of industries in the district,
3. estimate the potentialities of the district to absorb new industries,
4. evaluate the impact of industrial units on the development of the economy with special reference to Anantapur Cotton Mills, Yerraguntapalli.
For the purpose of examining the nature and type of industries the data and information relating to the large and medium scale industries and small scale industries established in Anantapur district are collected from the Government reports and other publications like Directory of Industries etc.

To assess the growth of industries in the district necessary data are collected from the official records and reports of District Industries Centre, Anantapur. The Five Year Plan documents of Andhra Pradesh State are referred to prepare the review of industrial development programmes in the State. Industrial profile and the official documents of the district administration are consulted to estimate the potentialities of the district to absorb new industries.

Data and information on the physical and financial achievements of Anantapur Cotton Mills, Yerraguntapalli are secured from its Annual reports and Annual accounts for the period 1981-91 to analyse the structure and growth of this industry.

For this purpose statistical tools and techniques like percentages, averages, ratios are used besides the time
series analysis to describe the trend in the annual receipts and expenditure of Anantapur Cotton Mills, Yerraguntapalli during 1981-91. The information is portrayed in diagrams and the results are presented in graphs.

To evaluate the impact of Anantapur Cotton Mills, Yerraguntapalli on the development of the surrounding villages a survey has been conducted. Some employees and daily workers of the industry, a few villagers, shop keepers and vendors near the industry are contacted and their opinions are recorded.

The present study is broadly divided into six chapters. The first part introduces the theme of the study while the second chapter gives a brief account of industrial development of Andhra Pradesh during the Five Year Plans. Next part presents the growth of industries in Anantapur district. The structure of Anantapur Cotton Mills, Yerraguntapalli is described in the fourth chapter and the analysis of revenues and expenditure of the industry is presented in the next part to evaluate its growth during 1981-91, the period of study. The findings and conclusions of the study are presented at the end.