Role of the Government: Five Year Plans and State Policies

As one embarks upon a study of industrial development, though as a segment of a holistic historical process, it would be quite incomplete, without a perusal of the dominant role played by the Government: Central as well as State. In industrial development, the major determinants are: the extent of the facilitation role played by the Government, the approach of financial institutions in funding industry and the entrepreneurial spirit of the people. In the post independence era, a closer interaction between industry and government has emerged as a part of conscious policy of the Government. In the modern period, the role of the State is not confined only to the maintenance of law and order but the State has become an active participant in economic development by also assuming the additional function of an entrepreneur.

The Government can play a major role in steering industrial development by improving the industrial climate, attracting industrial investments, making things easy for entrepreneurs, thereby accelerating industrial growth leading to the prosperity of the State and its' people. The Government can always offer unique packages of incentives, physical in

the shape of infrastructure, monetary in the form of capital subsidies and fiscal in the shape of tax concessions.

The Government can develop industrial complexes, infrastructural facilities and create an industrial network. In fact, in the Third World it is only the Government which can develop the basic industrial infrastructure which requires huge investments; set up projects, which have a long gestation period and low returns but have a spin off effort in the overall industrial development by helping down stream industries and by providing intermediate goods for industry. Private investment is very hard to come in heavy industry. Moreover, private investors do not take into account social benefits in their investment decisions but only look at the returns on their investments. Therefore, the Government has a major role to play in the promotion of infrastructural activities and heavy industries. Moreover, industrial development requires a stable, social and political environment, so that private entrepreneurs consider their investments safe and secure. Government investments always have a multiplier effect on the industrial development leading to overall economic growth.

Private investors because of their lack of knowledge and expertise may hesitate to invest in the beginning. The Government, therefore, has also to play the role of a friend, philosopher and guide to the private investors and create economic networking backward and forward, among suppliers of materials, producers and markets of finished products. Even credit facilities


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have to be developed to engineer smooth coupling of such networks. It is in this context, that the role of five year planning in industrial development needs to be historically examined.

In the foregoing chapters, various social, political, historical and geographical factors have been examined, which have influenced the pattern and scope of industrial growth in the State of Punjab since 1947. It will, therefore, be worthwhile to examine as to how Government policies and plans, specifically targeted at industry, affected industrial growth. Since growth patterns, are affected by the legacy of their past, therefore, while discussing the effect of Government policies, it is imperative to first recapitulate the legacy (or the lack of it) of industrial plans and policies, at the time of independence. These form a significant historical linkage, imperative to study the present as a culmination of its past.

In the early days of British Punjab, the subject of “industries” formed but a small part of the Department of Agriculture, with which it was lumped up at first, mainly because the existent industries were of a small scale character and mostly associated with agriculture. The first structured state concern about planning and implementing, a scheme of industrialisation in British Punjab (then known as the Province of Punjab) was seen in 1920, when a separate Department of Industry was set up in the State, in pursuance of the report of the Royal Commission on Indian Industry of 1918 saying

that the demands of World War I had made the development of industry an exigency for self defence and economic necessity. The Department was charged with the control of technical or industrial educational institutions, the survey of industrial possibilities, to advise factory owners, or future industrialists with regard to the cost and equipment of factories with engines and machinery. K.T. Shah was commissioned by the Government to prepare a plan, which in his view would have taken 10 years for its proper implementation. He submitted his plan to the Government in 1941. This was the first structured plan, which was aimed at industrialisation. The plan also considered such other facets of the economy in a macro perspective, as would have centrifugal effects on industrialisation.

Though this plan could not unfold itself and did not see the light of day, because of the Second World War and subsequent political turbulations ultimately culminating in the independence of the country - accompanied with the pangs of partition of the prosperous Province of the Punjab, yet a look at this plan would be immensely beneficial from the point of view of looking at the possible policy options, which were thought of and also, whether these policy options, later manifested themselves in the policy development of the State. This plan visualised industrialisation as a policy incentive for economic development, with a view to:

5. Ibid.
a) Increase the aggregate domestic product, as represented by the commodities or services produced, by either setting up of new industrial establishments or the development of the existing ones;

b) redistribute the burden of population from the agricultural to the secondary and tertiary sectors by making them complimentary and supplementary to each other;

c) to mop-up the potential of disguised unemployment by providing work for the labour force, shifted from the rural sector to manufacturing and servicing sectors, which in effect, would have meant a more even distribution of employment opportunities in all sectors and an even distribution of additional wealth generated.

d) to effectively utilise the capital surplus available in the State, which manifested itself mainly in the rapid increase in the value of the agricultural lands. The return from the agricultural lands, therefore, was diminishing very fast. Therefore, to get optimum return upon the total capital available, the plan proposed investment of surplus capital in the industrial sector. Such a situation was also considered an opportunity for better utilisation of agricultural produce as industrial raw-material: a situation which could develop a symbiotic relationship between agriculture and industry and consequently also increase returns from the agricultural land.

The industrial plan implied the utilisation of all industrial resources, whether in the form of land, water, power, forest wealth or human resources. Its broad enunciations would look similar to and a precursor of enunciations of subsequent industrial policies for the State.

It said,

whether, however, any given industry is large or small, worked with power driven machinery, or by means of human or animal energy; and whether it is spread over through out the Province in small scale establishments or concentrated in few places; every industry will, in a plan, have to be organised and interconnected carefully, as an integral part of the plan programme. No industry can be left to start, to grow, to work ad-hoc, as its promotors, proprietors may choose......................each unit, each industry, each enterprise, must form an integral part, closely fitting into a carefully coordinated whole. The interconnection of each option must be thought out and designed, so as to be for the advancement and benefit of all, and not result in any conflict or friction or needless overlapping. The location of a unit, the size of options, the number of establishments, the nature of equipment, the labour and capital employed in each, the market served, the services needed of transport, banking, etc. must all form part of a common programme.

It would be interesting to mention here, that the post Green-Revolution industrial policies, also echoed similar themes, when they spoke of finding avenues for investment of agricultural surpluses in industries, correcting imbalances in credit-deposit ratios and generation of more employment opportunities.

7. Ibid p.137.
In a way, along with the stage being set for the independence of the country, in the pipeline were comprehensive development programmes for the economy, as well. In the proposed planning, the complementarity of the primary and secondary sectors was duly recognised.

Shah visualised that,

industrialisation, moreover, must, in the ultimate analysis, depend upon, and be connected intimately with, the primary producer both for the materials of industry, and for the market for his finished goods.

The Plan did not only end here but it also aimed at the linkages between industry and services sector when it said:

if the Plan is concentrated only upon the establishment or development of the industries, and neglects to take into account the incidental and indispensable service of transport, finance or marketing, it would be seriously handicapped at the outset.

This Plan was substantialised and framed to help the establishment of new industry since industrial encouragement and development of the existing industry in large as well as small sectors. In fact, the Plan even spoke of a proper employment development through an Apprenticeship Act, so that, while on the one hand, the labour would develop their skills, on the other hand, the industry would not face the shortage of skilled labour.

To tackle the crisis of financing for the industry, this plan even

suggested specific financial institutions/banks for the financing of the industry for fixed, as well as working capital requirements. It went to suggest, the setting up of a special State Industrial Bank. The Plan even suggested some kind of subsidy for energy needs of industry and scientific research and development funds, specifically aimed at industrial research and development. In 1931, an industrial research laboratory was established in the State to undertake investigation and experiments for assessing the possibilities of starting new industries, or developing the existing industry from the local raw-materials. The laboratory, was keen to carry-out research in the processes and materials of the existing State industry. Encouraged by the success of this laboratory, it was made permanent in January 1937.

The State commissioned the services of experts in various industries like oil, textiles, hosiery, tanning, etc.to help in the technological industry. By now the Industries Department, was well recognised as a catalyst for industrial growth and it had started playing an important part in the development and promotion of industries. It began promotional activities in the nature of one window service for industrial development by helping the industry in acquisition of sites for factories; while at the same time it started promoting industry related issues with other departments of the Government; the prominent among those being:

a) Reduction in railway freight for transport of raw-material and finished goods.

10. Ibid p.140.
b) Reduction in terminal taxes/octroi charged by local bodies on the raw-materials or finished products.

c) Seeking canal water for industrial use at concessional rates.

d) General reduction in taxes imposed on industrial objects or activities.

Inspite of all these measures, industrially British Punjab remained industrially backward.

First attempts at a structured date compilation of industries in the State can be seen in the Census of 1921, which contained a brief reference to Census of Industry. In this context of the overall census, the data compiled mainly pertained to such of the concerns, which employed at least 10 persons on any normal working day. Though it was a rough compilation of data, but it showed only 80% industrial establishments including mills, at work in the then Punjab, employing a total of 61.70% male and 4755 female workers, skilled and unskilled. Out of them only 430 were operated by mechanical power: steam, electricity, gas, oil or water, which aggregated to 40,000 horse powers. Only 247 of these establishments came within the purview of the Factories Act.

The Census of 1931 gave merely lesser detail than the Census of 1921. It only mentioned that now Punjab had 526 establishments coming

within the purview of the Factories Act and had in addition: "a large number of smaller factories, chiefly soap work, hosiery factories, floor and rice mills, chemical works, printing presses, furniture making works, tanneries etc."  

The next reliable information is the Annual Report on the Working of the Factories Act in the Punjab, for 1938, which shares 887 registered factories out of which 730 were actually working. On the production of industry, the Department of Industries did a survey in 1932 which indicated Gross value of products as 15,74,07,500, which the value of agricultural products even in 1922-23 was estimated Rs. 128 crores per annum. The budget of the Industries Department was 3,50,912 in 1921 which went up to 21,90,150 in 1939, out of which 2134 went to Technical education. Thus it is more than apparent, that at the time of independence Punjab was principally an agricultural province.

It also needs to be seen that in the pre-partition Punjab, where there was a scope of development of industries, they were restricted by the policy of the then master to great monopolies to Biotech industry. The actual

facts bore, "eloquent testimony to the utter disregard shown towards the material interests of..........by the powers that have been".

Though not adequate, these measures had spawned the process of industrialisation. However, the most interesting aspect of the entire plan exercise of 1941, was a proposal for the constitution of a Statutory Development Corporation for carrying out the plan for the industrialisation of Punjab. The constitution, powers and functions of this body were proposed to be laid down by an Act of the Legislation. This body was supposed to execute and administer the entire industrialisation of the State. The exigencies of World War II and subsequently partition derailed the whole exercise. Barely when the British administration realised that emphasis on agriculture in Punjab now required to be supplemented with emphasis on secondary and tertiary sectors, as is apparent from the above Plan, came the misfortune of the partition of Punjab which threw every economic activity out of gear.

After partition, the major work, which steered the State Government was the rehabilitation of the refugees. As seen from the brief historical accounts of the effects of Partition in the East Punjab, in the foregoing chapters, the entire economy of the State got disrupted, by this mass movement of the population. The social and communal structure of this

18. Ibid p.103
19. Ibid p.140
cross-migration of population, completely, distorted the economic equilibrium, because the employers moved in one direction and the workers in the opposite. Resultantly,

Economic and social interdependancies were jerked out of balance, the Government and the people were faced with the colossal task of putting 20 social and economic life again on an even level.

The partition also affected the future progress of the border districts of the new East Punjab, due to the fear-psychosis of the existing population of these districts and migratory population coming from West Punjab. These areas, which were once throbbing with prosperity in the centre of undivided Punjab, now were becoming not attracting the migratory population, - who preferred to settle in safer regions of Delhi and beyond - or in rebuilding their fortunes, so grossly devastated by the aftermath of partition. Their economic life virtually came to a stand-still due to the flight of labour and capital to safety zones. Almost 54 percent of skilled labour of the industries, which was Muslim, migrated to Pakistan from this region. 21

The industry was also faced with a loss of market of raw materials, as well as of finished products. The deprivation of industrial infrastructure was another stumbling block. The desire of the industry to shift from the border towns of Amritsar, Gurdaspur and Ferozepur held another dangerous prospect for the future of the economy of the state and a possibility of

structural imbalances. The State is replete with the examples of the structural ruination of many throbbing and historically important towns. These towns and cities have still not been able to stop their downward slide despite fifty years of independence. Khemkaran, which had a municipality since the late 1860’s (an index of its’ growth) has now been reduced to the level of a notified area committee. The fate of Ferozepur - even though, it is a divisional headquarters - is no better in the absence of economic activity, so is the town of Dera Baba Nanak, which despite being a historic place of the Sikhs, where one of the robes of Guru Nanak Dev is still lying is a private Gurdwara of Bedi descendents of the Guru, it is only lamenting at its’ fate, which has not shown any hope for its economy. If Abohar and Fazilka have been able to retain some economic standing, it is more because of the prosperity brought by their cotton crops than anything else.

To counter the adversities staring these towns, the Government of East Punjab immediately, passed the East Punjab factories (Control of Dismantling Act in March 1948), to restrict the shifting of factories registered in these areas, under the Factory Act. This was a comprehensively tough piece of legislation, to prevent the removal of even spare parts of machinery.

23. Ibid.
At the same time, the Government, also, set up “The Board of Economic Enquiry” in 1949. This Committee recommended, that new industrial townships should be built near about and around Delhi only, while suggesting some development measures for the industry, which would help cross-border trade between the East and the West Punjab. To fill up the gap of capital and skilled labour for the small and middle level migrant businessmen, while the Government of India had set up a Rehabilitation Finance Administration in 1948, for providing medium and long term financial requirements, the Punjab Government opened up 34 Industrial Training Institutions, (22 for men and 12 for women) in all the district headquarters and 32 training centres (23 for men and 9 for women), training upto 10000 persons, to fill up the gap of vocational training. Of course, all these efforts, were being also supplemented by the Punjab State Aid to Industry Act of 1932.

However, the task of industrialising the State was not easy, especially when partition had brought the industrial production of the State to nearly half. The strain on the already brittle structure became almost unbearable. According to the Census of India, in 1951 only 7% of the total work force in Punjab was engaged in industries, construction and public utilities, as compared with 65% in agriculture and allied occupations, 10% in commerce and transport and 18% in services.

27. Census of India 1951.
A substantial proportion of those employed in manufacturing, were using little or no power and working as independent workers with the help of family labour. The number of registered factories (employing more than 10 workers), did not exceed even one thousand and provided employment to not more than 50,000 people. As compared to many other parts of India, the new State of Punjab inherited industrial backwardness. In 1950, Punjab accounted for only 1.8% of the total value of output generated in the registered sector, as compared to 33.8% for Bombay and 27.0% & 12.2% for Bengal and Madras respectively.

Even in 1956, the proportion of work force employed in the factories' sector in Punjab, was far less than the national average and the only state below it, was Orissa. Table I below indicates that while Indian average was 7.36 factory workers per 1000 of population, in Punjab it was 4.80. Another indicator of industrialisation is electricity consumption, here also Punjab was one of the lowest (only higher than Orissa) with 154.00 million Kwh. against total for the country as 35.11.36 m.kwh.

(Table on next Page)

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Table I

FACTORY EMPLOYMENT PER 1,000 OF POPULATION (1956)

<table>
<thead>
<tr>
<th>STATE</th>
<th>TOTAL FACTORY EMPLOYMENT (Per 1,000 of population)</th>
<th>POWER KWH</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>7.36 (100)</td>
<td>3,511.36</td>
</tr>
<tr>
<td>Bombay</td>
<td>18.77</td>
<td>1,325.04</td>
</tr>
<tr>
<td>West Bengal</td>
<td>22.90</td>
<td>797.04 (22.7)</td>
</tr>
<tr>
<td>Madras</td>
<td>9.31 (9.1)</td>
<td>319.60 (0.56)</td>
</tr>
<tr>
<td>Orissa</td>
<td>1.39 (0.56)</td>
<td>19.52 (4.3)</td>
</tr>
<tr>
<td>Punjab</td>
<td>4.80</td>
<td>154.00 (4.3)</td>
</tr>
</tbody>
</table>

Source: National Council of Applied Economic Research

At the national level, soon after Independence, the Government introduced the Industrial Policy Resolution (1948), and this outlined the approach to future industrial growth and development of the Country. It emphasized the importance to the economy of securing a continuous increase in production and ensuring the equitable distribution of the wealth thus created. Further to ensure that the core sector does not suffer, the Government also introduced the concept of Public Sector investments by the...
Government. Once the pressures of refugee settlement started easing out, after becoming a republic and adopting the Planning model of development necessary modifications and a clear definite in industrial policy became imperative. To serve these ends, therefore, the Central government adopted a new Industrial Policy Resolution in 1956, which had as its’ objective, the acceleration of the rate of economic growth and the speeding up of industrialization, as a means of achieving a socialistic pattern of society. By 1956, also capital was scarce and the base of entrepreneurship was not strong enough, hence, the 1956 Industrial Policy Resolution gave primacy to the role of the State to assume a predominant and direct responsibility for industrial development.

The strategy of planning for industrialization, during the first four decades from the First Five Year Plan in 1951 was implemented under the framework of a mixed economy with a substantial role for the public sector and a state regulated private sector. Now, at the national level, models of economic development were also framed. By the time India went ahead with the Second Five Year Plan in 1957, the Mahalanobis model of economic growth was adopted, which laid stress on investment in heavy and the core sector industrially. Resultantly, there were investments in the Steel sector - Bhilai Steel, Bharat Heavy Electrical, Chitranjan Locomotives, Hindustan Machine Tool Corporation etc. the industries which were

30. Government of Punjab, First Five Year Plan, A Summary, Planning Department, Chandigarh 1953.
infrastructure building. One such industry came in the then Punjab at Panchkula (now in Haryana).

The planned development of industries in Punjab, began with the Government announcing the establishment of industrial areas with the objectives (i) to rehabilitate the displaced persons from West Pakistan and to (ii) develop small scale industries. These areas were set up at Jullundur, Ludhiana, Phagwara and Patiala. The Industrial areas offered improved sites, as inducement for the establishment of industrial enterprises.

In Punjab (not in its present form but as East Punjab and PEPSU) the First Five year plan essentially laid more emphasis on the development of agriculture, than an inclination on industries as was rooted in the States’ history. The total plan was of Rs. 147.5 crores, made of an outlay of Rs. 138 crores for Punjab and Rs. 9.5 crores for PEPSU. The State spent only 63.62 lakhs (2.16% of the total plan outlay) on industries during 1951-56. Out of this a major chunk Rs. 48.13 lakhs (7.6%) went to the development of cottage industries. Pepsu, on the eve of the merger had a population of 35 Lakhs and comprised of the following states - Patiala, Nabha, Kapurthala, Jind, Faridkot, Malerktotla, Nalagarh and Kalsia. Punjab was actively considering the development of cottage and small scale industries, in

addition, to the development of industrial colonies and a number of training centres.

Inspite of these industrial strides, it was a natural consequence of the conditions prevalent in the area in 1951, that agricultural production was given the highest priority, in order to tackle effectively the shortage in food and raw materials. In the Plan for Punjab, irrigation and power claimed nearly 60% of the total provision mainly because (i) 80% of irrigation schemes in pre-partition went to Pakistan and large land resources of the State lay unproductive for want of water (ii) river water was the only source of power. Thus the First Five Year Plan began with an agricultural bias.

The Second Five Year Plan showed comparatively more thrust on the development of industries, with the Plan outlay raised to Rs. 1029.34 lakhs (6.20% of the total plan outlay). However, in sectoral distribution, agriculture still claimed 18.8% and industry claimed 6.14% of the total provision. Even though, the Plan outlay increase was 31% over the First Five Year Plan, it compared unfavourably with the rest of India with 124% increase.

An attempt to group these 66 heads into 8 broad groups revealed that out of a total of Rs. 1029.34 lakhs of plan outlay, Rs. 370.63 (31.15%) were

spent by the Government on their own schemes for the development of industries followed by its programme on cottage industries training, which had an outlay of Rs. 240.80 lakhs (23.39%). Other major heads were other schemes which constituted 20.31% of the total plan outlay and a government subsidy which constituted 16.77% out of the total plan outlay. Large land medium industries were allotted Rs. 1.6 crores, small scale industries Rs. 4.4 crores and cottage sector Rs. 2.1 crores.\textsuperscript{37} The progress during the first four years was slow especially in the large scale and medium sector. Cooperative Sugar Mills could not be started, a few other mills in which the Plan had provided for state participation were started in the private sector and hence the funds could not be used.

During the first two plans’ period about Rs. 2 crores were disbursed as loans to about 8,000 industrial establishments. Five industrial establishments providing factory accommodation to 340 establishments, were to be set up during the Second Plan. Two common facility centres had been set up at Ludhiana and Bassi Pathana to provide facilities to small scale industries. Nine Quality marking centres had been opened at different places for helping industries to improve the quality of products and major schemes for training were also formulated. To provide additional employment special schemes were drawn up for developing handloom, handicrafts, sericulture and Khadi industries, which included imparting training and the extension of credit and marketing facilities. The industrial

\textsuperscript{37} Ibid.
programme envisaged a resettlement of the refugees as a primary aim. So there was no specific thrust on only large scale industry but with the given potential of Punjab, the emphasis was on small scale industry. For instance, in this period, hosiery, textiles, sports' goods, paper, cycle parts and khadi manufacture registered good progress.

An important aspect of the Second Five Year Plan was the setting up of urban industrial estates at Ludhiana, Batala and Malerkotla at a cost of Rs. 57.50 lakhs. In this plan, there was a central provision of Rs. 20 crores for the Nangal fertilizers. Up to the Third Plan, the responsibility of plan formulation in Punjab was with the State Planning Department. It was only by the Fourth Plan, that the Planning Department was reorganized and strengthened with the infusion of some technical expertise. Till then the proposals of various departments for inclusion in the Plan were scrutinized by a steering committee of senior officials of various departments.

The Third Five Year Plan period proved to be eventful in the industrial history and policy of Punjab. To begin with the Punjab Small Scale Industries Corporation was established in 1962, to assist, promote the Small Scale industries in the State and to supply them essential raw materials.

With a view to extend the benefits of industrialization to small towns and rural areas, the Government decided to set up 20 rural industrial estates during the Third Five Year Plan.

The turning point, however, was the Reorganization of the State in November 1966, which brought about certain important changes in the overall industrial outlook of the State. This historical turn was preceded by the 1962 and 1965 hostilities with China and Pakistan respectively, resultant instability was a setback to industrial activity, the State planners decided to take concrete steps for the development of industry in the States. The period from 1966 to 1969 is that of plan holiday. Instead of five year plans, three annual plans were followed. These three plans on an average had a total plan outlay. The major developments during this period were the setting up of focal points in 1967-68 at Mohali, Dhandari Kalan and Rajpura. Their number has grown up to 16 in 1986. These 16 focal points have 2807 developed industrial plots in them. The philosophy behind the establishment of industrial focal points was to ensure the integrated development of large, medium and small scale industries in the State, the focal points were meant to provide the requisite infrastructure.

43. Ibid, 1978, p.3.
At any rate, in joint Punjab, upto the Third Five Year Plan, the objective to industrialize the economy remained unfulfilled and whatever industrial progress had taken place it was in the Small Scale industry. The dominance of the Small Sector in the industrial sector of Punjab in the early sixties is clear from the fact, that, the small enterprises contributed 81.8 percent in the total net output of the industrial sector of Punjab in 1960-61. Whereas, the share of the large sector in India was 49.9% in the net industrial output it was only 18.2% in the State of Punjab, small enterprises were further categorised into two-household and non-household. The household industry accounted for 34% of the total net output of 81.8%, whereas at the national level, it was only 16.9%.

The Fourth Five Year Plan document says “All efforts made during the first three plans, though in themselves appreciable, could only touch the fringe of the problem. There was only some progress in small scale industry.” Most of the States’ expenditure, on industry under the three five year plans was Rs. 0.83 crores in the First Plan and Rs. 8.5 crores in the Second Plan, had been loan advances to the Small Scale industry. In making a sectoral allocation for the Third Plan, the State Government had provided a relatively much larger amount Rs. 37.5 crores, a part of which (Rs. 10 crores) was reserved for direct investment in industrial ventures.

After the Fourth Five Year Plan, the share of industry in the Plan

expenditure declined indicating that a still increasing proportion of plan expenditure is allocated to agriculture and industry has not got the increasing share, which is commensurate with the increasing contribution of the Net State Domestic product.  

While outlining the economic developments in the State, the historical occurrences must not be overlooked, as Punjab was passing through the Green Revolution. Chief Minister Pratap Singh Kairon’s policies and measures for the eight years of his tenure from 1956 to 1964 had contributed much towards development. Nehru was justified in saying, that Punjab had made greater progress under his guiding care. His achievements were acquisition of land for seed farms outside the plan, consolidation of landholdings, provision of electric power to 5,000 villages, metalled roads loans for tube wells, introduction of poultry, farming and the establishment of Punjabi University and the Punjab’ Agricultural University at Ludhiana. The tenancy decreased between 1955-1964 and the agricultural production increased by 42%.

After the creation of the Punjabi Suba there were some changes in the overall industrial atmosphere of the State. The Punjab State Industrial Development Corporation which had been set up in 1966, was established as an undertaking of the Punjab Government so as to promote planned

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48. Ibid.
Industrial Development in the organised sector. The wars with Pakistan had provided a major setback to the industrial development of the state. Some industrial establishments, which had their operations in border towns were Amritsar, Batala and Ferozepur which were faced with unused goods, accumulating due to transport bottlenecks during the war and pre-war period, due to fall in demand and consequently a large stock of industrial products, whereas reorganisation had its own impact. When reorganisation took place in 1966, Punjab had 93 units of which Ludhiana (26), Amritsar (16), Jullundur (8) and Rajpura (5) were the other important industrial centres. In all 28 places, had one or more large and medium scale industrial units, Hoshiarpur and Sangrur districts.

The erstwhile Punjab, was already deficient in mineral resources. Some deposits of limestone and iron ore were available. As a result of reorganisation, the mineral deposits in Kangra and other hilly areas went to Himachal Pradesh. The remaining deposits mainly of slate in Gurgaon, limestone in Ambala and iron ore in Mohindergarh district went entirely to Haryana. The reorganised Punjab thus, does not possess any mineral deposits. The position, in respect of forest resources was also similar. Most of the forest areas, also, went to Himachal Pradesh. Punjab got only agricultural resources, Haryana on the other hand, got some mineral deposits, in addition to its agricultural base. Haryana got the industrial

51. Ibid.

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complexes at Faridabad, Sonepat and Ambala. Further, all the major large scale industries have gone to Haryana viz. three paper mills one at Yamunanagar and two at Faridabad, six cotton mills with 131346 spindles, a well-established glassware industry at Ambala and Faridabad, two cement factories at Dadri and Pinjore and big bicycle industry at Sonepat. Out of 13 urban and 24 rural industrial estates, 5 urban and 24 rural industrial estates fell to Haryana's share. Thus re-organisation placed Haryana in a better position in the matter of resource distribution except land.

Table II

| Socio-Economic Conditions in Punjab, Haryana and Hilly Areas (After-Re-organisation) |
|---------------------------------|-----------------|-----------------|-----------------|
|                                 | Punjab          | Haryana         | Hilly Areas     |
| 1. Rural Population as percentage of total population | 75.3            | 82.8            | 89.9            |
| 2. Urban Population as percentage of total population | 24.7            | 17.2            | 10.1            |
| 3. Working Population as percentage of total |
| (a) Primary Sector | 17.5            | 26.8            | 24.5            |
| (b) Secondary and Tertiary Sector | 14.0            | 10.9            | 11.5            |
| 4. Gross Area irrigated as percentage of total cropped area | 63.0            | 30.0            | 17.0            |
| 5. Percentage of Electrified town/village to total town/village in state | 29.0            | 18.0            | 19.0            |
| 6. Number of registered factories per lakh of population | 36.5            | 14.9            | 6.6             |
| 7. Literacy as percentage of total | 26.7            | 19.8            | 27.1            |

At the time of the formulation of the Fifth Five Year Plan, the Planning machinery was further strengthened with the establishment of the State Planning Board, which worked independently of the Planning Department. The Fifth Five Year Plan lamented at the unbalanced industrial development of the State. It was stated that in Punjab, there were about 29000 small scale industrial units providing employment to 1.50 lakh workers, as compared to only 94 large and medium scale units employing approximately 0.47 lakh workers. Therefore, high priority was given to large and medium scale industry in the Plan. Incentives were given to entrepreneurs for setting up industries in backward and border areas. A sum of Rs. 37.56 crores was set aside constituting 5.22% of the total plan expenditure was spent on industrial development.

By the time, the Sixth Five Year Plan was passed the State Planning Board and State Planning Department were merged and the formulation procedures improved.

The Sixth Five Year Plan (1980-1985) outlined its objectives:

1. Accelerated growth and realization of economic benefits of already created infrastructure for industries.

2. Diversified rapid industrialization of the State.

3. To promote rural industries for which separate incentives are envisaged to ameliorate the economic conditions of the weaker sections of society.

4. Special emphasis on small scale industrial units to create maximum employment.

5. Incentives to industrialists for setting up industries in Punjab.

6. Export of industrial products of the State and exploring new markets for exports.

Inspite of these industrial inclinations, the earlier five year plans of Punjab, reflect that the power sector received a major share of the total plan outlay. Ofcourse, the consumption pattern of electric power is biased towards the agricultural sector. The percentage of consumption of electric power is very high, while in other states a greater share of power is consumed in the industrial sector.

For instance, some of the points delineated in this plan were:

53. Ibid.

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1. The energization of tubewells/pumping sets and replacement of diesel engines by electric motors.

2. The electrification of post harvest operations, cottage and small scale industries.

3. The improvement of supply conditions by augmentation and improvement works.

In 1978, Punjab decided to frame its own industrial policy. The policy was aimed at generating more employment opportunities, regional balance and industry-wise balanced resource development and encouraging resource based units. All the gains from the Green Revolution i.e. agricultural machinery or allied requirement were to be given high priority.  

This Industrial Policy Statement was followed by the rules for the grant of incentives as notified in 1978. The incentives, which were provided under these rules were interest-free loans, which were repayable in the 11th, 12th and 13th years of their disbursement. The maximum amount of these loans was Rs.5 lakhs and 7 lakhs depending upon the location of the industry. The other incentives were a subsidy upto 25% of the power tariff for a period of 5 years, exemption from electricity duty for a period of 5 to 10 years, depending upon the location of the industry, exemption/refund of

octroi/terminal taxes, subsidy at 15% of the fixed capital investment in the border districts, sub-mountain areas and backward districts declared by the State. Apart from these interest bearing investment loans to bridge the gap of the promotors contribution in capital formation were also allowed. Liberal land subsidy and subsidies for the preparation of feasibility reports were some features of this Policy. Special incentive and facilities were also given for non-Resident Indians at this juncture. After 1978, the next policy of the State Government was announced only in 1987. In 1987, the State Government realised that Punjab’s performance in industry is not as spectacular, as its’ success in agriculture and the reasons for this lag are historical, geographical and cultural. There is a heavy concentration of small scale industrial units.

Even for an agriculturally based economy, the development of industries is essential. The continuously high rate of growth in the economy of the State is the goal of the Government and this can be achieved by diversifying the State economy. As such, more emphasis is being laid on the development of the industry.

The industrial policy introduced in 1978 aimed at giving a push to the process of industrialisation, through the development of infrastructural facilities for the growth of village, small and tiny industrial units, with deliberate emphasis, on the setting up of large and medium scale industries. However, the industrial scene in the country has undergone a sea change,

during the last 10 years. The introduction of a graded package of incentives, diluted in favour of no industry districts and certain special areas under the Central Policy about backward areas, has put states like Punjab in a disadvantageous position.

The State was divided into three categories of areas for various benefits, to ensure a balanced development, the areas within the municipal limits of Jalandhar and Ludhiana were debarred from any incentives. The incentives were capital subsidy, the sales tax concessions, land subsidy, exemption from electricity duty. To ensure social justice, a new category of incentives was introduced for units belonging to Scheduled Castes and push up the exports so 100% Export Oriented Units (EOUs) were also given subsidies.59

It is worth mentioning, that gradually the Punjab State Industrial Development Corporation (PSIDC) became a more active catalyst for the promotion of large and medium scale industries in the State of Punjab. The PSIDC (i) identifies and investigates projects and obtains letters of intent from the Govt. (ii) Undertakes feasibility studies for various identified projects (iii) Provides financial support (iv) Acts as an agent of the Industrial Development Bank of India and State Government for providing assistance and incentives to industry under various schemes.60

Then came another review of the Industrial Policy of the State in 1989, which stated that:

“The Industrial Policy has been under review with the State Government, with the objective of providing conducive industrial environment, strengthening of infrastructure, identifying thrust areas, developing skills and encouraging entrepreneurship, for accelerating the rate of industrial development and generating employment opportunities, particularly for the educated unemployed rural youth, to provide for a minimum 10% of the total annual plan outlay in the industrial sector, to take up the rate of industrial growth to go upto 20% by the end of VIII Five Year Plan and to take up the share of the industrial sector to 20% in the State domestic product during the same period. The objectives of this policy were:

a) building up of a conducive industrial climate for fresh investment;

b) providing technical facilities, financial assistance for technological upgradation, modernisation and setting up of nucleus units for promoting ancillarisation;

c) strengthening institutional arrangements for the development of need-based skills and encouraging youth to enter into business;

d) developing an equity cult by promoting units in assisted Joint Sector with a view to channelising investible surpluses in industry;
e) strengthening of extension services for interface between industry and
the Government on a continuing basis;

f) ensuring proper coordination between State Government Corporations
and Apex Cooperative Institutions for optimal utilization of State
resources and channelising investments in less developed areas.”

The main components of this policy were:

a) Providing an attractive Package of Incentives.
b) Planning for manpower development.
c) Strengthening of infrastructure.
d) Modernization and Technological Upgradation.
e) Providing Financial Support.
f) Strengthening of Extension Services, Administrative Improvements
and Simplification of Procedures.
g) Attracting Non-Resident Investment.

The main incentives were similar to the earlier incentives but a new
category of incentives was provided to pioneer units. This policy of the
State Government was further modified by a new code of incentives in 1992
with minor variations in the eligibility for incentives. However, in 1996, the
State Government proposed a new Industrial Policy, which diluted the
targets of growth set for industry as follows:

a) Increase the annual industrial growth rate from the present 8% to 12%.

b) Increase the present share of industry in Gross Domestic Product (GDP) from 17% to 25%.

This policy introduced a new objective of diverting 15% of the present rural population to manufacturing and related occupations. However, if we look at the share of the producing and manufacturing sector in the GDP of the State, it will be seen from the tables below, that the targets still remained to be achieved. Similarly, the Central Public Sector Investment in the State, even today is below a figure of 2%. There is hardly any investment in the large scale Central Public Sector units. The three units which the State got, Nangal Fertilizers, Heavy Water Plan at Nangal and Bhathinda Fertilizers Unit have not contributed much to the overall growth of the State either by generating any extra employment or by creating any multiplier effect. Of course, the State in its own way has developed the Industrial Focal Points in the vicinity of Hoshiarpur, Sangrur, Kotkapura, Moga, Tarn Taran, Nabha, Nawanshahr, Bhatinda and Jullundur and encouraged some medium and large scale units, while some large scale units like textiles, milk processing, etc. are directly the result of the economic factor of the availability of raw-materials. Yet looking at the growth rate of the contribution of industry to GDP and the contribution of agriculture to GDP, this should be abundantly clear that industrial policies still need a lot

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to be desired. (In the earlier chapter I have discussed the industrial policy of 1992, I thought it would be appropriate as a part of liberalization)

Meanwhile, to come back to the historico-political occurrences after 1966, in 1967 the first Congress ministry came to power in Punjab. In 1968, Punjab was put under Presidents’ Rule in 1969, then Punjab went to the polls and Gurnam Singh returned to power. Inspite of all these changes, there was a constant discontent simmering within the Akali Dal over the linguistic reorganization and again there was a fresh demand that Chandigarh should go to Punjab. In 1970, the Union Government made an award giving Chandigarh to Punjab but much to the States’ chagrin, in lieu of this Haryana was given Rs. 20 crores and 110 villages in Fazilka to Haryana. The Punjab Government claimed over 1,000 Punjabi speaking villages, on a linguistic basis from Haryana and Himachal Pradesh. The Gurnam Singh ministry resigned on 26th March 1970, an Akali-Jan Sangh coalition ministry headed by Prakash Singh Badal came to power. In 1971, Sant Fateh and the Akalis agitated for the Government to liberate the Delhi Gurdwaras from Government control.

In 1972, Giani Zail Singh headed a Congress ministry and the Akali Dal changed its’ name to the Shiromani Akali Dal. In 1975 an Emergency was declared. In 1977, in a mid term poll the Akali Janata alliance got an absolute majority in Punjab. In 1980 Darbara Singh was sworn in as the Chief Minister of Punjab under a Congress Ministry. In 1981, came the

advent of Sant Jamail Singh Bhindranwale and the wave of militancy swept over Punjab for over a decade doing irretrievable damage to the State in every sphere. In 1992, Beant Singh was sworn in as the Congress Chief Minister and peace began to seep in gradually.

The political events have been discussed at length in other chapters, to return to the thread of economic development. A study of the Plans and policies reflects that the share of Central Government investment in Punjab has been very meagre from the very beginning. A report prepared by NCAER regarding the industrial programme for the Fourth Plan in Punjab pointed out that the share of the State (even before reorganisation) in Central Government projects was negligible and recommended that the State Government should continue pursuing the Centre for citing more Central Government industrial projects in the State.

The share of Haryana in Central Government investment increased from 0.57 percent in 1976 to 1.23 percent in 1981, and that of Punjab from 1.81 percent to 1.98 percent. While on the other hand, states like Bihar, Madhya Pradesh and Orissa are drawing larger shares in Central Government investment more than any other state. This position is supposed to remain the same for some time and can be judged from projects in hand. The number of projects in hand were 197 in Maharashtra, 136 in Gujarat, 114 in U.P., 109 in West Bengal and only 19 in Punjab.

Table III shows the role of certain national level agencies like IFC, ICICI, IDBI and LIC etc. The Table reveals the fact that the position of Punjab is very bad as compared with states like Maharashtra, Gujarat, Tamil Nadu etc. However, the position of Haryana is better than Punjab in the assistance provided by ICICI and LIC. Haryana got about 3 times more assistance from ICICI as compared to Punjab in 1975. LIC provided 3.5 percent assistance to Haryana and 3.2 percent assistance to Punjab. It can safely be concluded from the table that both these states are the least assisted states of India by LIC.

(Table on next Page)
### Table III

**State-wise Distribution of Financial Assistance/Investment by ICICI and LIC (Rs. in Crores)**

<table>
<thead>
<tr>
<th>States</th>
<th>ICICI Assistance Sanctioned by Dec.1975</th>
<th>LIC Investment by 31.3.78</th>
<th>Percentage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra</td>
<td>229.43</td>
<td>379.40</td>
<td>34.0</td>
<td>14.6</td>
</tr>
<tr>
<td>Gujarat</td>
<td>80.25</td>
<td>264.50</td>
<td>11.9</td>
<td>10.1</td>
</tr>
<tr>
<td>Tamilnadu</td>
<td>77.73</td>
<td>248.90</td>
<td>11.5</td>
<td>9.6</td>
</tr>
<tr>
<td>Bihar</td>
<td>46.07</td>
<td>162.72</td>
<td>6.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Karnataka</td>
<td>43.47</td>
<td>140.63</td>
<td>6.4</td>
<td>5.4</td>
</tr>
<tr>
<td>West Bengal</td>
<td>41.52</td>
<td>216.83</td>
<td>6.2</td>
<td>8.3</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>32.72</td>
<td>256.92</td>
<td>4.9</td>
<td>9.9</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>22.11</td>
<td>159.27</td>
<td>3.3</td>
<td>6.1</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>15.45</td>
<td>143.96</td>
<td>2.3</td>
<td>5.5</td>
</tr>
<tr>
<td>Haryana</td>
<td>15.24</td>
<td>91.91</td>
<td>2.3</td>
<td>3.5</td>
</tr>
<tr>
<td>Kerala</td>
<td>14.27</td>
<td>124.56</td>
<td>2.1</td>
<td>4.8</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>13.06</td>
<td>111.53</td>
<td>1.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Orissa</td>
<td>12.03</td>
<td>110.79</td>
<td>1.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Punjab</td>
<td>5.18</td>
<td>83.04</td>
<td>0.8</td>
<td>3.2</td>
</tr>
<tr>
<td>Other States/ U.T.</td>
<td>25.65</td>
<td>110.79</td>
<td>3.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Total All India</td>
<td>674.18</td>
<td>2605.95</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: 1. ICICI Report 1978  
2. Reports on Activities of Life Insurance Corporation of India 1977-78.

Note: Though LIC invests in varied activities the investment indicated here as in the State Electricity Boards, State govt. Housing scheme, Co-operative Housing, Finance societies, Sugar Co-operative Societies and Improvement Trust etc. which affect the investment (Industrial) climate in the state.
### Table IV

**Investment of Selected State Governments in Public Sector Undertakings (Financial and Promotional) at the Beginning of 1976-77 (Rs. in Crores)**

<table>
<thead>
<tr>
<th>States</th>
<th>Financial</th>
<th>Promotional</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>15</td>
<td>24</td>
<td>39</td>
<td>15.54</td>
</tr>
<tr>
<td>Bihar</td>
<td>12</td>
<td>7</td>
<td>19</td>
<td>7.57</td>
</tr>
<tr>
<td>Gujarat</td>
<td>11</td>
<td>14</td>
<td>25</td>
<td>9.96</td>
</tr>
<tr>
<td>Karnataka</td>
<td>13</td>
<td>2</td>
<td>15</td>
<td>5.98</td>
</tr>
<tr>
<td>Kerala</td>
<td>6</td>
<td>9</td>
<td>15</td>
<td>5.98</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>17</td>
<td>26</td>
<td>43</td>
<td>17.13</td>
</tr>
<tr>
<td>Punjab</td>
<td>8</td>
<td>7</td>
<td>15</td>
<td>5.98</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>7</td>
<td>38</td>
<td>45</td>
<td>17.93</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>7</td>
<td>28</td>
<td>35</td>
<td>13.94</td>
</tr>
<tr>
<td>Total for 9</td>
<td>96</td>
<td>155</td>
<td>255</td>
<td>100.00</td>
</tr>
</tbody>
</table>


The meagre role played by the State governments has also been responsible for the slow industrial growth in Punjab. The State governments virtually did not do anything till the early seventies. It was mainly after the mid-seventies that many corporations were set up in the Public Sector to promote industrial development. It is reflected that investment made by the Punjab government is very low as compared to Tamil Nadu, Maharashtra, Andhra Pradesh and Gujarat. The share is not commensurate with the high level of per capita income and high incidence of taxation in the State.

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The loans applied for and disbursed by Punjab Financial Corporation are shown in Tables V. The loans disbursed as a percentage of loans applied for varied between 23.10 percent and 44.31 percent during 1967-68 and 1979-80 in Punjab.

Table V

Punjab Financial Corporation - Loans Applied, for and Disbursed during Different Years (Rs. in lakh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of Loan Applied for</th>
<th>Amount of Loan Loan disbursed</th>
<th>Percentage 3 to 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967-68</td>
<td>194.22</td>
<td>71.19</td>
<td>36.56</td>
</tr>
<tr>
<td>1968-69</td>
<td>241.94</td>
<td>80.07</td>
<td>33.51</td>
</tr>
<tr>
<td>1969-70</td>
<td>245.87</td>
<td>76.47</td>
<td>31.10</td>
</tr>
<tr>
<td>1970-71</td>
<td>428.87</td>
<td>102.07</td>
<td>23.80</td>
</tr>
<tr>
<td>1971-72</td>
<td>622.98</td>
<td>176.66</td>
<td>28.36</td>
</tr>
<tr>
<td>1972-73</td>
<td>793.00</td>
<td>193.95</td>
<td>24.46</td>
</tr>
<tr>
<td>1973-74</td>
<td>1184.74</td>
<td>273.73</td>
<td>23.10</td>
</tr>
<tr>
<td>1974-75</td>
<td>2003.10</td>
<td>503.62</td>
<td>25.14</td>
</tr>
<tr>
<td>1975-76</td>
<td>1616.16</td>
<td>572.93</td>
<td>35.44</td>
</tr>
<tr>
<td>1976-77</td>
<td>1130.99</td>
<td>501.10</td>
<td>44.31</td>
</tr>
<tr>
<td>1977-78</td>
<td>1563.10</td>
<td>517.17</td>
<td>33.09</td>
</tr>
<tr>
<td>1978-79</td>
<td>1472.12</td>
<td>526.64</td>
<td>35.77</td>
</tr>
<tr>
<td>1979-80</td>
<td>1875.56</td>
<td>643.74</td>
<td>34.32</td>
</tr>
</tbody>
</table>


At the current level of knowledge and technology, electric power is the most important requirement to run the Industry. However, the State is suffering from a shortage of electricity. During 1981-82, the availability of power supply was 12.23 percent short of requirement in Punjab. The power shortage in both the States is not only hindering the industrial

development, but also the agricultural development.

The following Table VI shows the position of installed capacity in both the States. Table VI reveals that the installed capacity in both the States had increased during 1971-72 to November 1981.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>697</td>
<td>988</td>
<td>1537</td>
</tr>
<tr>
<td>Haryana</td>
<td>486</td>
<td>546</td>
<td>1141</td>
</tr>
</tbody>
</table>


But in Punjab, the installed capacity of electricity increases by 120.52 percent between 1971-72 and November 1981, whereas this capacity increased by 134.77 percent in Haryana during the same period.

The power position, availability, demand and gap has been shown in Tables VII and VIII for Punjab and Haryana respectively for the coming years upto 1984-85. The tables reveal, that both the States will not be able to overcome the problem of electricity shortage till the year 1984-85. However, the problem is more acute as far as Punjab is concerned. The shortage is acute.
Table VII

Power Position in Punjab (M.W.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Availability</th>
<th>Demand</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>986</td>
<td>1485</td>
<td>499</td>
</tr>
<tr>
<td>1981-82</td>
<td>1036</td>
<td>1636</td>
<td>600</td>
</tr>
<tr>
<td>1982-83</td>
<td>1111</td>
<td>1814</td>
<td>703</td>
</tr>
<tr>
<td>1983-84</td>
<td>1284</td>
<td>2021</td>
<td>737</td>
</tr>
<tr>
<td>1984-85</td>
<td>1535</td>
<td>2259</td>
<td>724</td>
</tr>
</tbody>
</table>

Source: Sixth Five Year Plan 1980-85, Govt. of Punjab Planning Department, Punjab, p.71.

Table VIII

Power Position in Haryana (M.W.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Availability</th>
<th>Demand</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>745</td>
<td>929</td>
<td>184</td>
</tr>
<tr>
<td>1981-82</td>
<td>763</td>
<td>1035</td>
<td>272</td>
</tr>
<tr>
<td>1982-83</td>
<td>780</td>
<td>1162</td>
<td>382</td>
</tr>
<tr>
<td>1983-84</td>
<td>920</td>
<td>1278</td>
<td>358</td>
</tr>
<tr>
<td>1984-85</td>
<td>1034</td>
<td>1403</td>
<td>369</td>
</tr>
</tbody>
</table>

Source: Sixth Five Year Plan, Planning Department, 1980-85 Govt. of Haryana, p.82

As has been seen during discussions in the foregoing chapters, the economic development of Punjab, during the First Four Plans revolved around refugee resettlement, so accordingly, agricultural development and
the construction of Hydro Electric - Irrigation Project of Bhakra Nangal got priority in planning. The Bhakra Nangal Project was given priority because the resultant canal network was to carry water to Rajasthan and especially its’ Ganga Nagar District where a large number of Punjabi farmers had settled in the post-independence period. The industrial development which took place during that period was more in and around the areas near Delhi (Faridabad) and Chandigarh (Panchkula). Though there was some growth in small scale industries in Jallandhar, Phagwara and Ludhiana areas, yet there was no perceptible large scale investment during the first three Plans, in industry, in the areas which constitute the present Punjab. Therefore, while surveying the history of industrial development in the present Punjab, a meaningful comparison can be made only from the Fourth Five Year Plan onwards. Table IX below indicates the outlay and expenditure on industry in the various plans in the State since 1969 (4th Plan). The table also gives the percentage of the outlay and expenditure to the gross outlay and expenditure in the respective plans. From Table IX it would be seen that during the period of the Fourth, Fifth and Sixth Plans, the actual expenditure always fell short of the approved outlay on industry. For the first time in the Seventh Five Year Plan, the actual expenditure exceeded the approved outlay which trend also continued during the period of the Eighth Five Year Plan. In the Eighth Plan in the first three years, the actual expenditure exceeded the outlay by almost 70% in the first three years of the Plan, when the State received an elected government after a gap of almost five years, under the Chief Ministership of Beant Singh.
<table>
<thead>
<tr>
<th>Plans</th>
<th>Approved Outlay</th>
<th>% to Total Outlay</th>
<th>Actual Expenditure</th>
<th>% to Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>IVth Plan 1969-74</td>
<td>1615.00</td>
<td>5.50</td>
<td>1125.95</td>
<td>2.64</td>
</tr>
<tr>
<td>Vth Plan 1974-78</td>
<td>6615.00</td>
<td>6.42</td>
<td>3756.12</td>
<td>5.22</td>
</tr>
<tr>
<td>VIth Plan 1980-85</td>
<td>8183.00</td>
<td>4.18</td>
<td>7413.98</td>
<td>3.93</td>
</tr>
<tr>
<td>VIIth Plan 1985-90</td>
<td>12474.00</td>
<td>3.79</td>
<td>14901.46</td>
<td>4.20</td>
</tr>
<tr>
<td>VIIIth Plan 1992-97</td>
<td>16292.00</td>
<td>2.48</td>
<td>184.66</td>
<td>3.00</td>
</tr>
</tbody>
</table>

*Source: Statistical Abstract of Punjab, 1997.*
Further Table X is given below which shows the yearwise growth in small scale, large and medium scale industries separately.

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Index</th>
<th>No. of Units</th>
<th>Fixed Capital</th>
<th>No. of Employess</th>
<th>Production (Crores of Rs.)</th>
<th>Year</th>
<th>Growth Index</th>
<th>No. of Units</th>
<th>Fixed Capital</th>
<th>No. of Employess</th>
<th>Production (Crores of Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-77</td>
<td>108.63</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1976-77</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980-81</td>
<td>176.66</td>
<td>4338</td>
<td>332.12</td>
<td>264869</td>
<td>1118.44</td>
<td>1980-81</td>
<td>228</td>
<td>727.42</td>
<td>109767</td>
<td>1141.07</td>
<td></td>
</tr>
<tr>
<td>1985-86</td>
<td>214.76</td>
<td>97517</td>
<td>738.94</td>
<td>464809</td>
<td>2150.99</td>
<td>1985-86</td>
<td>292</td>
<td>1489.72</td>
<td>132174</td>
<td>2534.53</td>
<td></td>
</tr>
<tr>
<td>1990-91</td>
<td>328.35</td>
<td>160368</td>
<td>1348.78</td>
<td>668845</td>
<td>4049.82</td>
<td>1990-91</td>
<td>373</td>
<td>4003.08</td>
<td>187311</td>
<td>7163.69</td>
<td></td>
</tr>
<tr>
<td>1991-92</td>
<td>333.09</td>
<td>176378</td>
<td>1498.60</td>
<td>711417</td>
<td>4434.45</td>
<td>1991-92</td>
<td>395</td>
<td>4552.30</td>
<td>193789</td>
<td>7709.33</td>
<td></td>
</tr>
<tr>
<td>1992-93</td>
<td>360.17</td>
<td>181563</td>
<td>1620.99</td>
<td>732580</td>
<td>5345.13</td>
<td>1992-93</td>
<td>414</td>
<td>5193.64</td>
<td>188034</td>
<td>9335.25</td>
<td></td>
</tr>
<tr>
<td>1993-94</td>
<td>394.37</td>
<td>184875</td>
<td>1763.61</td>
<td>755883</td>
<td>7074.95</td>
<td>1993-94</td>
<td>440</td>
<td>5697.41</td>
<td>195343</td>
<td>10438.87</td>
<td></td>
</tr>
</tbody>
</table>

This table indicates the number of units, fixed capital employed, employment generated and production. It may be a sheer co-incidence or it may be a matter of policies of the respective governments, but from the table it appears that during the years, when a Congress led government was ruling the State, the statistics regarding industrial development of the State have shown a higher rate of growth. If we look at the index of industrial growth of the State for the years since 1976 to 1994, it is apparent that during the period 1981 to 1986, the index went up from 176.66 to 214.76 and in
similarly subsequent five years it jumped to 328.35. Thereafter in 1991-92, 1992-93 and 1993-94 also the up trend remained quiet steady. During the Plan period, further, it is clear that industry really started looking up when the agricultural surpluses were made available to it. However, one more factor which comes to notice is that somehow the employment in the industrial sector did not keep pace with the increase in the number of industrial units/increase in investments, while on the other hand in gross terms the unemployment figure in the State was increasing due to (a) mechanisation of agricultural and (b) the influx of seasonal Bihari labour. A mis-match between increase in employment, industrial growth and overall development rate of the State, probably was one important reason of militancy/terrorism in the State. In fact, it became a Catch - 22 situation for the State because for almost a decade rising unemployment fuelled by political factors led to militancy, which reduced industrial investment further accentuating the frustrations in the State.

However, the figures of industrial development did not suggest a massive capital outflow out of the State or any major migration of capital into the State in post 1984 situation, though there was a setting up of parallel ventures in other states and stagnation in the prevalent set up in Punjab.

Ofcourse, in sectoral comparison the outlay of industry has not increased in the same proportion, as it has increased in agricultural sector.