CHAPTER - 1

INTRODUCTION

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1.1 PROBLEM OF THE STUDY:

1.1.1 INDUSTRIAL GROWTH AND REGIONAL DISPARITIES: Industrialisation has a major role to play in the economic development of the underdeveloped countries. Historically, the level of per capita income has been found to be correlated with the degree of industrialisation. Kuznets' comparison of 50 countries has shown marked increase of manufacturing output with rising per capita income. Chenery and Taylow also found positive and significant correlation between per capita income and the degree of industrialisation. According to Colin Clark, economic growth is positively correlated with the number of working population engaged in the secondary and tertiary sectors and low per capita income is associated with high proportion of population engaged in the agriculture sectors. The success of Western countries in this field followed by an Asian country, Japan, is standing example of what industrialisation can do to a nation. The belief that "real progress" must ultimately depend on industrialisation was expressed once by Pt. Jawaharlal Nehru. This view has been substantiated by almost all the nations of the developing world because without increased industrial production, their chief objectives of growth with welfare cannot be achieved. Further, "The underdeveloped regions have long been mainly producers of raw materials and they have observed that there is a strong and positive connection between the wealth and standard of living of the country and the extent of its industrialisation." The Second Five Year Plan (1956-61) in India stressed the importance of industrialisation and this confirms the view that "rapid industrialisation and the diversification of the economy is the core of development". In Myrdal's words, "Manufacturing industry represents, in a sense a higher stage of production. In advanced countries, the development of manufacturing industry has been concomitant with these countries' spectacular economic progress and rise in levels of living. Not least in the underdeveloped countries, the productivity of manpower in industry tends to be
considerably greater than in the traditional pursuits. Industrialisation and the growth of that part of the working population that is engaged in industry, is, therefore, a means of raising national income per capita. In countries like India and Japan, with high ratio of population to natural resources, and in particular, to land manufacturing industry represents virtually the only hope of greatly increasing labour productivity and raising the level of living, however much is done to improve agriculture. Consequently, people in the underdeveloped countries have no option but to develop the neglected area of their economy to stir the economy out of centuries of stagnation.

Starting from a "low level equilibrium trap" in the pre-independence period, India has made spectacular advance in the industrial development. It is evident from the fact that in most of the manufactured products, the country today has achieved a large measure of self sufficiency. Starting from a scratch, India today is among the ten most leading industrialised countries of the world. However, during the course of progress, Indian industrial economy has been facing the problem of serious regional imbalance.

The concept of balanced regional development has become increasingly popular only recently, with the awakening of social equity in the field of economic development. It advocates to achieve social goal of economic development of the whole region, without losing the insight of economic needs and potentiality of area forming homogenous groups with the region. The concept implicitly argues a case for economic equality in resource allocation to develop various economic activities so as to reduce the economic distances within the areas of the regions and between different regions. All regions are, of course, not economically developed, although they all constitute the developed or underdeveloped country. Developed countries such as the U.S.A. and U.S.S.R. also suffer from regional inequality, but this feature is more prominent in poor countries.

The important role of industrialisation in development has always been recognised in the development strategy of underdeveloped
countries. But the process of rapid industrial growth in many underdeveloped countries has resulted in the problem of regional imbalance. Industrial growth, left to itself, congregates in existing industrially developed areas on account of the availability of industrial infrastructure and ready demand and market for the products. The higher return on investment in such locations further attracts the industries in such centres. This leads to an undue concentration of industries in a few already industrialised urban areas and results in the lopsided geographical distribution of industries. Myrdal rightly observes: "There is a tendency inherent in the free play of market forces to create regional inequalities and that this tendency becomes the more dominant the poorer a country is."

Historically, the existence of backward regions started from the British rule in India. The British helped the development of only those regions which possessed facilities for prosperous manufacturing and trading activities. Some regions are preferred because of certain locational advantages. The location of iron and steel factories or oil refineries will have to be only in those technically defined areas, which are optimal from all the standpoints considered together. Naturally, as the process of development gains momentum, they attract labour, capital, trade and the external economies, offered by the developing regions.

There are certain deterrent factors which come in the way of rapid development of a region, most important of these are the geographical isolation, inadequacy of economic overheads like transport, labour, technology, etc.

In developing countries, the developed regions are generally confined to urban centres and urban areas, the greater part of the country remaining in the backwaters of economic regeneration. This is mainly because physical geography controls economic growth in a greater degree in developing countries than in developed countries. For example, Japan and Switzerland have overcome the handicaps of mountain terrain but our Himalayan States, viz. Northern Kashmir, Himachal Pradesh, the Hill
Districts of Uttar Pradesh. Bihar, Orissa have remained backward and underdeveloped mainly because of inaccessibility. Ecological problems in these areas refer mostly to hilly areas which have limited scope for economic development. Besides, the provision of basic facilities in these areas involves high costs. Climate too plays an important role in the low economic development of many regions in India as reflected in low agricultural outputs and absence of large and medium scale industry.

Serious regional imbalances resulted during the period of planned economic development since 1950-51. Balanced development was strongly endorsed by the Industrial Policy Resolution of 1956 and accepted as one of the principal objectives of economic planning. But in practice balanced regional development was almost completely ignored by our planners and authorities.

If we cast a look at the industrial map of India, we find some states industrially advanced, while others remain relatively backward due to lack of rapid industrialisation. Further, within the State, some regions are very backward while others are highly advanced. The basic parameters to measure the level of industrialisation at the macro level are number of factory employees per thousand population, percentage of factories, number of workers engaged in manufacturing, value added of the manufacturers to total national income, etc. On macro level, we can divide the Indian states into old industrial states, new industrial states and less industrial states as follows:

(A) Old Industrial States: (i) Maharashtra, (ii) Gujarat, (iii) West Bengal and (iv) Tamil Nadu.


Table 1.1 gives details about the parameters of level of industrialisation regarding the three categories of states.
### Table 1.1

**Level of Industrialisation (1977-78)**

<table>
<thead>
<tr>
<th>Category of States</th>
<th>Parameters of Industrial Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of factory employees 1977-78</td>
</tr>
<tr>
<td>A. Old Industrial States</td>
<td>15.21</td>
</tr>
<tr>
<td>B. New Industrial States</td>
<td>10.12</td>
</tr>
<tr>
<td>C. Less Industrial States</td>
<td>4.7</td>
</tr>
<tr>
<td>D. Others</td>
<td>4.2</td>
</tr>
</tbody>
</table>

As is clear from Table 1.1, the States of Maharashtra, Gujrat, West Bengal and Tamil Nadu are industrially advanced States. Even before independence and after the commencement of planned development, these States had a well-developed economic base which subsequently accelerated the way of industrialisation. States included in category B have come on the industrial map of India only after independence. Based on the parameters of level of industrial growth, the States included in category C have been designated as less industrialised or backward States.

Table 1.1 highlights highly skewed growth of industrial activity in India. The old industrial States constitute 44 per cent of factories, 50 per cent of factory workers, 56.7 per cent of value added in 1977-78. However, this group constitutes 36.7 per cent of fixed capital. Group C, has also the same magnitude of fixed capital while all
other parameters of industrial growth are of less magnitude. This is mainly due to heavy concentration of capital-intensive public sector enterprises in Bihar, Uttar Pradesh and Madhya Pradesh. These three States share 29.4 per cent of fixed capital out of 36.1 per cent of C category States. 9

India, however, presents a picture of extreme regional variations, in terms of such indicators of economic growth as per capita income, the proportion of population living below the normative minimum, working population in agriculture, the percentage of urban population to total population, the percentage of workers in manufacturing industries, etc. Relatively speaking, some states are economically advanced while others are relatively backward. Even within each state, some regions are more developed while others are almost primitive. The co-existence of relatively developed and economically depressed states and even regions within each state is known as regional imbalance. 10 Regional imbalances may be natural due to unequal natural endowments or man-made in the sense of neglect of some regions and performance of others for investment and development effort. Regional imbalances may be inter-state or intrastate; they may be total or sectoral. Economic backwardness of a region is indicated by symptoms like high pressure of population on land, excessive dependence on agriculture leading to high incidence of rural unemployment, absence of large-scale urbanisation, low productivity in agriculture and cottage industries, etc.

Table 1.2 gives more important socio-economic indicators which reflect regional imbalance in India.

Punjab, Haryana, Maharashtra, Gujrat and West Bengal are the only states which have per capita incomes higher than the National average (Rs.798 in 1985-86). On the other hand, Bihar, Orissa and Uttar Pradesh have very low per capita incomes. The states which have high per capita incomes are precisely the states which experienced a high degree of agricultural and Industrial development. For instance Punjab and Haryana lead all other states in the sphere of agricultural development. These states have a high percentage of irrigated land to the
### Table-1.2

Socio-Economic Indicators for Different States in India

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>23</td>
<td>31</td>
<td>32</td>
<td>1,010</td>
<td>106</td>
<td>743</td>
</tr>
<tr>
<td>2</td>
<td>Assam</td>
<td>9</td>
<td>10</td>
<td>21</td>
<td>320</td>
<td>34</td>
<td>604</td>
</tr>
<tr>
<td>3</td>
<td>Bihar</td>
<td>12</td>
<td>33</td>
<td>28</td>
<td>600</td>
<td>76</td>
<td>486</td>
</tr>
<tr>
<td>4</td>
<td>Gujrat</td>
<td>31</td>
<td>19</td>
<td>22</td>
<td>2,010</td>
<td>245</td>
<td>862</td>
</tr>
<tr>
<td>5</td>
<td>Haryana</td>
<td>22</td>
<td>14</td>
<td>64</td>
<td>1,440</td>
<td>213</td>
<td>1,217</td>
</tr>
<tr>
<td>6</td>
<td>Himachal Pradesh</td>
<td>8</td>
<td>5</td>
<td>16</td>
<td>N.A.</td>
<td>66</td>
<td>788</td>
</tr>
<tr>
<td>7</td>
<td>Jammu and Kashmir</td>
<td>19</td>
<td>3</td>
<td>44</td>
<td>N.A.</td>
<td>73</td>
<td>673</td>
</tr>
<tr>
<td>8</td>
<td>Karnataka</td>
<td>29</td>
<td>20</td>
<td>14</td>
<td>1,480</td>
<td>157</td>
<td>698</td>
</tr>
<tr>
<td>9</td>
<td>Kerala</td>
<td>19</td>
<td>24</td>
<td>12</td>
<td>1,130</td>
<td>109</td>
<td>614</td>
</tr>
<tr>
<td>10</td>
<td>Madhya Pradesh</td>
<td>20</td>
<td>22</td>
<td>14</td>
<td>800</td>
<td>98</td>
<td>623</td>
</tr>
<tr>
<td>11</td>
<td>Maharashtra</td>
<td>35</td>
<td>24</td>
<td>11</td>
<td>1,910</td>
<td>272</td>
<td>1,029</td>
</tr>
<tr>
<td>12</td>
<td>Nagaland</td>
<td>16</td>
<td>2</td>
<td>40</td>
<td>N.A.</td>
<td>32</td>
<td>N.A.</td>
</tr>
<tr>
<td>13</td>
<td>Uttarakhand</td>
<td>17</td>
<td>24</td>
<td>20</td>
<td>370</td>
<td>116*</td>
<td>512**</td>
</tr>
<tr>
<td>14</td>
<td>Punjab</td>
<td>28</td>
<td>20</td>
<td>85</td>
<td>1,340</td>
<td>315</td>
<td>1,621</td>
</tr>
<tr>
<td>15</td>
<td>Rajasthan</td>
<td>21</td>
<td>6</td>
<td>21</td>
<td>480</td>
<td>99</td>
<td>663</td>
</tr>
<tr>
<td>16</td>
<td>Tamil Nadu</td>
<td>33</td>
<td>29</td>
<td>43</td>
<td>1,340</td>
<td>190</td>
<td>779</td>
</tr>
<tr>
<td>17</td>
<td>Uttar Pradesh</td>
<td>18</td>
<td>15</td>
<td>57</td>
<td>480</td>
<td>87</td>
<td>587</td>
</tr>
<tr>
<td>18</td>
<td>West Bengal</td>
<td>26</td>
<td>23</td>
<td>33</td>
<td>1,630</td>
<td>114</td>
<td>858</td>
</tr>
<tr>
<td>All India</td>
<td></td>
<td>24</td>
<td>22</td>
<td>28</td>
<td>1,050</td>
<td>135</td>
<td>798</td>
</tr>
</tbody>
</table>

Notes: * - Relate to 1971 Census; ** - Relate to 1984-85.

net area sown i.e. 85 per cent and 64 per cent respectively. Uttar Pradesh and Tamil Nadu have also recorded a high percentage of irrigated area to total area sown but their relatively low per capita domestic income is due to other inhibiting factors.

The degree of urbanisation and industrialisation are important indicators of economic development of a region. In terms of urbanisation, Maharashtra, Tamil Nadu and Gujrat are the three leading states followed by Karnataka, Punjab and West Bengal; all these states have a percentage of urbanisation higher than the national average. At the same time, average daily employment of factory workers is the highest in Gujrat, closely followed by Maharashtra and West Bengal. It may be remembered that even before independence West Bengal and Maharashtra (which includes the highly industrialised Bombay region) were the most industrialised states. However, after independence, Gujrat, Punjab and Tamil Nadu have done extremely well in setting up industrial units of all sizes. On the other hand, Assam, Orissa, Bihar and Uttar Pradesh have lagged behind broadly in the sphere of industrialisation. Per capita consumption of electricity is also an indicator of regional disparities. Economically progressive states such as Punjab, Maharashtra, Gujrat, Haryana etc, have recorded a much higher rate of consumption of electricity per head than the backward and less developed states like Assam, Bihar, Orissa, Madhya Pradesh and Uttar Pradesh.

Ironically, some of the economically industrialised states like Gujrat, Maharashtra, Tamil Nadu and West Bengal show a big proportion of agricultural labourers to total workers. This indicates that industrialisation did not enlarge employment to such an extent as to reduce the proportion of agricultural labourers in total working population. Naturally, the need for a re-examination of the pattern of industrialisation in India is obvious.

Table 1.2 establishes the fact that those states which have high degree of industrialisation as represented by urbanisation also enjoy high per capita income. The first five states which have per capita
income index equal to or more than the all-India income have a high percentage of urban population to total population (roughly between 22 per cent to 35 per cent). Again these are only average figures for the States and do not bring out the wide intra-regional differences in per capita income and urbanisation in each of the states.

An indicator that is commonly used in assessing the relative economic position of States is per capita state incomes. Table 1.3 illustrates this position.

**TABLE-1.3**

<table>
<thead>
<tr>
<th>States</th>
<th>1971-72</th>
<th>1985-86</th>
<th>Annual Rate of Growth</th>
<th>% of population below poverty line (1977-78)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>1,984</td>
<td>1,621</td>
<td>2.9</td>
<td>15</td>
</tr>
<tr>
<td>Haryana</td>
<td>887</td>
<td>1,217</td>
<td>2.3</td>
<td>25</td>
</tr>
<tr>
<td>Gujarat</td>
<td>832</td>
<td>862</td>
<td>0.3</td>
<td>19</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>786</td>
<td>1,029</td>
<td>2.0</td>
<td>48</td>
</tr>
<tr>
<td>West Bengal</td>
<td>738</td>
<td>858</td>
<td>1.1</td>
<td>53</td>
</tr>
<tr>
<td>Karnataka</td>
<td>683</td>
<td>698</td>
<td>0.1</td>
<td>48</td>
</tr>
<tr>
<td>Kerala</td>
<td>614</td>
<td>613</td>
<td>0.1</td>
<td>47</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>599</td>
<td>779</td>
<td>1.9</td>
<td>52</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>592</td>
<td>743</td>
<td>1.7</td>
<td>42</td>
</tr>
<tr>
<td>Assam</td>
<td>544</td>
<td>604</td>
<td>0.8</td>
<td>51</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>536</td>
<td>663</td>
<td>1.6</td>
<td>34</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>507</td>
<td>623</td>
<td>1.5</td>
<td>58</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>450</td>
<td>587</td>
<td>1.9</td>
<td>50</td>
</tr>
<tr>
<td>Orissa</td>
<td>427</td>
<td>512*</td>
<td>1.4</td>
<td>66</td>
</tr>
<tr>
<td>Bihar</td>
<td>406</td>
<td>486</td>
<td>1.3</td>
<td>58</td>
</tr>
</tbody>
</table>

Note: Ranked by state per capita income at constant prices in 1971-72.
There were 6 states in 1971-72 whose per capita incomes were higher than the All India average. The top six states were, Punjab, Haryana, Gujarat, Maharashtra, West Bengal was low (1.1%) and that of Gujarat only 0.3%. Karnataka whose per capita income was higher than All-India average in 1971-72 has gone down because of insignificant growth rate. Its place (in the Sixth position) was taken up by Tamil Nadu. The annual rate of growth of all the top five states in 1981-82 was higher than the all-India average.

The latter 6 least developed states have continued to be at the bottom during this period.

In terms of per capita income, Punjab tops the list: and in terms of the percentage of population living below the poverty line, Punjab has the lowest percentage - only 15 per cent as against the national average of 48 per cent and Orissa's average of 66 per cent.

1.1.2 BACKWARD DISTRICT POLICY:

The need to correct regional imbalance in the pattern of industrial location was recognised by the Government. The first plan mentioned that if industrial development is to proceed rapidly and in a balanced manner, greater attention will have to be paid to the development of those states and regions which have so far remained backward. In the first three Five Year Plans, some effort was made to reduce economic disparities between regions. but no attempt was made to identify the backward regions. The development of backward regions was considered only in the context of overall planning. because an implicit belief of the national planners was that overall economic growth would automatically bring about the development of most of the backward areas. However. this did not materialise.

During the first three Five Year Plans, location policy operated through public investment decision and industrial licensing. Though the need to promote industrial development in backward regions was always felt. the objective of regional balance was not achieved to a desirable extent during the first three Five Year Plans. With renewed emphasis
on this concept, the task of identifying backward areas was taken up for the first time by the Planning Commission at the beginning of the Fourth Five Year Plan (1969-74). The Pande Committee (Shri B.D. Pande, Chairman) constituted by the Planning Commission in this regard identified in 1969 certain States/Union Territories as industrially backward based on the level of per capita income, per capita consumption of electricity, road and railways mileage, number of factory workers, etc. Orissa was one among the ten States identified and all Union Territories except Chandigarh, Delhi and Pondichery were declared backward. The criteria adopted by the Pande Committee for identifying backward districts in backward states were subsequently finalised with financial institutions for the purpose of demarcating backward districts in all the States/Union Territories whether identified as backward or not by the Pande Committee. These criteria were per capita production of foodgrains, commercial crops, per capita industrial output, factory employment, availability of infrastructure facilities, per capita consumption of electricity, etc. The districts where the composite index was well below that of the state index in respect of the above indicators were selected as backward. Based on these criteria, the Planning Commission at the instance of recommendations made by the State Governments prepared a list of 247 backward districts which would qualify for concessional financial assistance from All India Financial Institutions. For Orissa, 8 districts have been identified to be industrially backward, namely Balasore, Bolangir, Dhenkanal, Kalahandi, Keonjhar, Koraput, Mayurbhanj and Phulbani.

With a view to suggesting fiscal and financial incentives for industrial development in backward areas, the Planning Commission has constituted another Committee, popularly known as Wanchoo Committee (Shri N.N. Wanchoo, Chairman). This Committee, in turn, recommended in 1969 various fiscal and financial incentives like higher development rebate, exemption from income tax, corporate tax, payment of import duties, grant of financial assistance on concessional terms, etc. to be offered by Central Government, State Governments and Financial Institutions.
As a part of the measure to ensure balanced regional development based on the recommendations of the Wanchoo Committee Government of India has announced a number of concessions and facilities for industries established in selected backward districts/areas. In addition, facilities and incentives are also offered by individual states for attracting industries to backward areas. The Central Capital Investment subsidy scheme was originally announced in 1971. All India term lending financial institutions viz. Industrial Development Bank of India, Industrial Credit and Investment Corporation of India Ltd., Industrial Finance Corporation of India extended financial assistance on concessional terms to all new and existing industrial projects having expansion schemes irrespective of the project located in the 247 districts selected by Government.

1.1.3 NO INDUSTRY DISTRICT CONCEPT:

In spite of the efforts on the part of the Government to promote regional dispersal of industries, this avowed objective is yet to be achieved. Even at the end of Fifth Plan there was wide economic disparity between different states.

The Sixth Plan (1980-85) also emphasised the importance of balanced regional industrial development and prepared schemes for industrial development of the backward areas. The Industrial Policy of 1980 indicates as one of the objective of policy the "correction of regional imbalances through a preferential treatment of industrially backward areas." The Industrial Policy statement further says that "special concessions and facilities will be offered for this purpose and these incentives will be growth and performance oriented." With a view to correct regional imbalances and to secure the industrialisation of backward areas a high-level National Committee for Development of Backward Areas (NCDEA), popularly known as Sivaraman Committee (Sri S. Sivaraman) was constituted to:

(a) examine and identify backward areas; and

(b) review the working of existing schemes introduced to reduce the regional industrial disparity.
According to the Committee (i) "The Central investment subsidy and the scheme of concessional finance had benefitted a small number of districts, mostly in close proximity to relatively developed industrial centres; (ii) the industrial estates programme has not been able to reallocate industries away from metropolitan areas; and (iii) licencing policy could not, by itself, promote industrial development in backward regions."

Based on the findings and recommendations of the Report by NCDBA the Government issued a Press Note in February 1982 that applications for industrial licences for location in the districts which have no large or medium scale industries - popularly called as "No Industry Districts" or "Zero Industry Districts" would be given over-riding preference over applications for other locations. The list of 'No Industry Districts' have since been revised and up-dated as on August 1982. Having decided to intensify its efforts to industrialise the "No Industry Districts" the Central Government in collaboration with all Industrial Financial Institutions adopted these districts to develop industries in the medium/large sector. Again, in April 1983, the Government of India announced revised scheme of incentives for setting up industries in no industrial district and backward areas. In Orissa, three districts such as Balasore, Bolangir and Phulbani were selected as "No Industry Districts". According to the new scheme the backward areas have been divided into three categories as follows:

Category A : "No Industry Districts" plus special regions (131 districts).

Category B : Districts currently eligible for central investment subsidy minus Category A (55 districts).

Category C : Districts currently eligible for concessional finance, minus Category A and B (113 districts).

The Centre is providing central subsidy for the above three categories as follows: 25 per cent subject to a maximum of Rs.25 lakhs for 1st Category; 15 per cent subject to a maximum of Rs.15 lakhs for
the 2nd Category; and 10 per cent subject to a maximum of Rs. 10 lakhs in case of the 3rd Category. In addition to Central Investment subsidy, all the three categories will also be eligible for concessional finance.

The NCDBA also on the basis of their evaluation of backward areas arrived at the following conclusions:

(i) The impact of the schemes, which were introduced in 1971, was significant after 1974.

(ii) The availability of concessional finance and subsidy has been significant motivating factor in persuading entrepreneurs to locate their units there.

(iii) The availability of industrial infrastructure and nearness to market in developed centres seems to be a major factor for medium and large units.

(iv) The pattern of development in the two districts which are near developed areas involved substantial interlinkages with developed areas in raw materials and marketing. However, in the district located away from developed areas the pattern of development involves small units based on local raw materials and very little development of an ancillary nature.

(v) In all districts, the bulk of the employment is of local labour. However, skilled labour often comes from outside.

(vi) Entrepreneurship for medium and large units generally comes from outside the areas, but small entrepreneurs are mostly local.

1.1.4 BACKWARD REGIONAL INDUSTRIAL DEVELOPMENT:

Balanced regional development has always been one of the main objectives of economic planning in India. In fact, one of the major objectives of planning in the country is removal of regional disparities in the level of economic growth. However, despite over four decades of planning, economic development in certain areas of country are very minimal.
The basic aim of economic planning in India is to bring about rapid economic development through the development of agriculture, industry, power, transport, communications, etc. The country aims at increasing national and per capita income, remove poverty and misery and raise the standard of living of the masses. The objective is not simple growth but raising the standard of living of those who have been living in absolute poverty for generations. In fact, the slogan of 'growth with justice' and 'garibi hatao' (removal of poverty) indicated clearly that the emphasis would be on removal of poverty and not simply on raise in national income. The planners considered rapid industrialisation as the method of bringing about rapid economic development. It was felt that scarce resources in the country should be applied more towards the development of industries rather than to agriculture. There was also another reason why industries were preferred to agriculture. Indian agriculture was already suffering from heavy population pressure on land and from low productivity. One method of reducing this pressure on land and to raise the agricultural productivity was to shift the surplus population to industries. With the increase in employment in industries and with a higher rate of productivity in industries, national and per capita income would increase at a much faster rate.

One of the important objectives of the Industrial Policy Resolution was to remove regional disparities. All the resolutions stressed the necessity of reducing the regional disparities in levels of development in order that industrialisation may benefit the country as a whole. Balanced development of all regions and all states in a country is necessary to draw the available human and material resources throughout the country into the development process and to enable people everywhere to share the benefits of developments.

In the post-independence development strategy for industrialisation through the Five Year Plans, the emphasis was mainly on developing these regions of the country endowed with resources, by beneficial exploitation and profitable utilisation of uncovered potentials. The progress of industrialisation during the last three decades has been a striking feature of Indian economic development.
Area approach to industrialisation was always been the panacea for balanced regional development. While planning the strategies for industrial developments, the Central and the State Governments have taken several important steps in this regard. But many of them still lagged behind due to lack of infrastructure, entrepreneurship and lower economic expectations of the people. Correct diagnosis of industrial backwardness and evaluation of growth potential are the first basic requirements before a strategy of industrial growth in a region is outlined. In fact, industrial development in the backward regions of the developing countries like India is not a spontaneous or smooth process. There are scarcities of capital, infrastructure facilities and resources - both human as well as physical. Even vital preliminary information about resources endowments and demand potential are not easily available in the backward regions.

Industrialisation has a major role to play in the economic development of the developing countries like India. While there is now almost universal agreement on the importance of industrialisation, there is still much debate regarding the proper pattern of industrial development, such as spread of industrialisation, particularly in the most backward regions and specifically in tribal areas. The Governments at the Centre as well as at the States along with other industrial promotion organisations/agencies including financial institutions will naturally have a primary role to play in such a strategy.

1.2 APPROACHES TO INDUSTRIALISATION IN BACKWARD REGION:

1.2.1 In a way, industrialisation is as much as essential ingredient of rapid and self-sustained development of backward and rural areas as it is for the development of the entire economy. One may approach the process of development on the basis of the division of economic activities between rural and urban areas: rural areas specialise more or less exclusively in agriculture, while industries are located exclusively in urban areas. In the situation in which rural-urban, or agriculture-industry, linkages are not strong, and in which, technologically and organisationally, there is a wide gap between agriculture and industry: this approach suffers from two serious shortcomings. First, the
division leads to uneven development, for agriculture by itself has a tendency to grow at a slower pace than industry. Second, since industry generally yields a higher level of output per worker than agriculture, the gap in income levels between those engaged in the two sectors tends to widen. Further, the relationship between traditional agriculture and modern industry generally has a dependency structure, which puts the rural sector at a greater disadvantage in appropriating the gains of development and increases the disparities between rural and urban income levels. Rural industrialisation can serve as an effective means of reducing this imbalances accelerating the process of economic development.

Several other arguments in favour of carrying industrialisation to rural areas are allied to the basic rationale implicit in the process of development. It economise in which agriculture predominates as a means of livelihood and dependence for the greater part of the population, even a relatively rapid growth of agriculture is unlikely to employ the entire rural labour force at reasonable levels of productivity and incomes. The pressure of population on land is already high and increasing, and has already resulted in a large surplus of labour in rural areas. Agricultural growth in such a situation has to be much higher than the growth of population so that the existing labour force and the new additions to it may be productively employed, accounting, at the same time, for the technical progress, required for achieving a high rate of growth, which may reduce the elasticity of employment to output well below unity. Industrialisation seems to be the only solution of the unemployment problem in such situations. As to why it should be "rural" industrialisation, two specific reasons have generally been advanced, besides the one given earlier, that is, it is essential for rural development. First the assumption of zero marginal productivity of labour in agriculture is not generally valid: and, therefore, a permanent transfer of rural labour to industries in urban areas is likely to lead to a loss of agricultural production. The unemployment problem in rural areas often manifests itself in the form of surplus labour
rather than surplus workers. Second, the social costs of migration in terms of overcoming and the high maintenance cost of workers, particularly in large urban areas, tend to offset much of the gains in productivity and incomes.\(^{16}\) Therefore, the development model based on the mechanism of rural-urban population transfer loses much of its validity.\(^{17}\) It is likely that technological and organisational changes in agriculture would lead to such changes in the employment and unemployment situation in agriculture as would render a larger number of workers permanently transferable; and a rapid growth of urban industrial sector may be able to absorb them. But the minimisation of the social cost of the larger urban agglomeration will still remain an important consideration in favour of the spatial decentralisation of industrial activity.

1.2.2 The big industries in India have touched only the fringe of the gigantic problem of unemployment. The Estimates Committee of the Lok Sabha pointed out "Neither agriculture nor large scale industry nor even both of them together can absorb the growing number of unemployed and underemployed in villages, a well thought out and comprehensive programme of decentralised industry in rural areas implemented with drive, sincerity and sense of paramount urgency can provide an effective answer to the vast problems of the rural poor what is needed is not necessary for demarcation of areas of production between small/rural industries and large industries."\(^{18}\)

1.2.3 The rural industrialisation programme will take the following forms:

(i) Decentralisation of industry to the rural areas.

(ii) Cottage and small industry, and

(iii) Upgradation of traditional skill.

The large scale industry should be confined to the following areas:
(a) Basic industries which are essential for providing the infrastructure as well as for development of small and village industries such as steel, non-ferrous metals, cement, oil refineries, etc.

(b) Capital goods industry for improving the machinery requirements of basic industries as well as small scale industry.

(c) High technology industries which require large scale production and which are related to agriculture and small scale industrial development such as fertilisers, pesticides, petro-chemicals, etc.

Rural industries may be classified on the basis of (a) scale or purpose and (b) market.

(a) Industries based on scale or purpose: Rural industries may be heavy, light and medium, light producer, traditional or consumer goods producing -

(i) Heavy industries comprising fertilisers based on coal, pesticides, steel plants and ancillary engineering industries.

(ii) Light and medium comprising mini cement plant, mini paper plants.

(iii) Light producer comprising animal feed and fodder, leather tanning and leather goods, building materials like hinges, screws, roofing materials, improved agricultural implements and machinery, food processing etc.

(iv) Traditional industries covering handloom, leather goods, wood works, furniture and artisan industries.

(v) Consumer goods industries may be those producing for local market or for meeting national requirements, such industries may produce soap, animal feed, edible oil, sugar, paper, etc.
(b) Rural industries based on market classification: Rural industries may be classified into:

(i) Those producing for local market
(ii) Those producing for national market, and
(iii) Those producing for export.

The main aim is to shift surplus labour and resource from agriculture to industries set up in rural areas and to develop complementary between agriculture and industry. The mass exodus of rural population to urban areas overstraining the latter has to be checked.

The expert group of the Ministry of Agriculture identified seed production and marketing, food nursery, gardening, integrated pest control, fisheries, animal husbandry and bamboo works as potential areas for income generation in farm sector. The items of consumption for which industries catering to local demand may be set up include, processed seed, fertilisers, agricultural implements, pesticides, pumps, wheat flour, oil, khandasari sugar, tobacco, bidi making, shoes, cigarettes, paper card board, pencils, utensils, handloom, fruit plants, micro-nutrients like copper borax, cattle feed and poultry feed.

1.2.4 One of the indicator of economic backwardness of a region is the extent of its urbanisation. The region or district under study maintains a very slow pace of urbanisation with only 5.27 per cent of urbanisation population and rural population constitute 94.73 per cent of the total population of the district in 1991 Census. The district has also a larger component of tribal population which constitute 45 per cent of the total population of the district. Therefore the approaches to industrialisation will be mainly rural and tribal oriented.

Agriculture has been and continues to be the main stay of tribal economy. A few people have gone to the extent of calling it a uni-sector economy. However, one can say that the tribal economy is agro-forest based economy. Tribal economy is predominantly agricultural with forestry as main subsidiary occupation contributing a
sizeable proportion of income to the tribals. The primary sector, that is agriculture, is at the subsistence level and pressure of population on land is increasing by leaps and bounds while production and productivity are abnormally low. This situation is aggravated further by the limited extent of arable land. Hence, it is imperative to think of new sources of livelihood.

Tribals are living in a pre-industrialised traditional society. Development of secondary sector was not given due importance and efforts for its balanced and integrated development along with the primary sector has been negligible in the past. Various Committees and Commissions, especially the U.N. Dhabar Commission and Elwin Committee, had stressed the need for promotion of village and small scale industries in the tribal areas. According to Dhabar Commission, "If the problem of destitution or sub-normal standards of living in the tribal areas is to be tackled, it can only be through development of village and cottage industries. The theory of percolation of prosperity would be sound if there were no handicaps of literacy or disparity and the bottlenecks inherent in an acquisitive type of economic frame-work." 20

Unused human resources and unexploited natural resources are the chief characteristics of tribal economy. To tap the natural resources available in abundance in tribal areas, the Commission suggested the promotion of village and cottage industries in the tribal areas with a view to:

(i) Utilising and developing the creative facilities of the tribal people;

(ii) Providing gainful employment to them, and

(iii) Offering them an avenue for converting their raw materials into processed articles and thus taking their economy a step further.
The Commission stressed that "Whether, therefore, there is raw material available and there is a market available locally or outside, the principle should be that the raw material should not go out as raw material but should go as a processed article unless the cost is uneconomic or it involves technical or transport problem beyond the reach of the administration in the tribal areas." Since agriculture is the main source of subsistence for the tribals and since there is no diversification of economic activity in the tribal areas the pressure on land has been mounting up and as a consequence of this, agricultural production has come down considerably. In such a situation the alternative source of income that one can think of is employment in agro-forest and mineral based industries.

The Government started formulating appropriate policies and programmes to create the necessary industrial climate and improve the technical knowledge and entrepreneurial skills of the tribals. The solution to the economic development of the tribals lies in Capital-Saving and Labour-Intensive techniques which as possible through initiation of small and cottage industries with particular emphasis on industries based on local forest resources.

1.3 AREA OF THE STUDY:

The path of industrialisation is both complex and unique. Historical experiences are useful, but not adequate enough to be limited in unique situations. Articulation of objective situations in regard to socio-economic-politico and institutional dynamics is an essential perquisite for understanding the anatomy and physiology of a 'region' for chartering its 'unique' path of industrialisation.

Availability of material and financial resources are certainly advantageous, but not sufficient condition for industrialisation. Input-output tables neatly drawn are analytically illuminating, but an unique situation does not catch all other non-measurable variables which have important bearings on industrialisation programmes. Similarly, multiplicity in number of industrial units such as
large, medium and small, do not change the fundamental characteristics of a region and its people, unless units set up click in terms of value adding productive participation of labour and income generation. Sometimes the process of industrialisation in a region may also oy-pass the people of its location and tends to benefit others located thousands of miles away.

National studies on industrialisation do not provide sufficient clues for overcoming the riddles of economic backwardness of a region, which may be potentially rich in material resources. Orissa, Bihar, Madhya Pradesh, Rajasthan provide unique instances of economic backwardness, despite large industrial units located in those States. National policies and strategies for industries horizontally drawn across the uneven 'economic space' of a country like India do not provide adequate framework to overcome the specific rigidities and constraints of regions and fail to set in motion their potentialities to the economic benefits of their people.

Orissa provides an unique case of being potentially a rich region; nevertheless, it remains poor and backward over the decades, despite efforts made from time to time. Orissa continues to be one of the industrially most backward states, despite its vast mineral, forest, agriculture and marine resources. It presents a bundle of paradoxes. Endowed with abundant natural resources, it has an anaemic industrial growth, accomplished craftsmen languishing in poverty, labour available in plenty have limited scope for absorption, vast areas of land with limited infrastructure base. The conversion of vast material and human resources into value added is a process which requires deep insight and well thought out plans for mobilisation of materials, machines and manpower, the triple crucial factors of economic development. This requires proper institutional framework, policy parameters and entrepreneurial capabilities for creating a suitable objective environment for setting in motion the process of mobilisation for industrial growth. Thus, the development of Orissa
poses a real challenge to the planners, policy makers and development agencies and the political leadership to test their ingenuity, expertise and commitment to usher in the fruits of development of the region and its people to whom these are denied so far. The gravity of the challenge increases, when the entire nation is getting ready to enter the 21st century, which holds great economic promise for entire humanity.

1.4 PHULBANI - THE DISTRICT UNDER STUDY:

The present study is mainly confined to Phulbani District in the State of Orissa. This district has been identified as a backward district in 1969 and as a 'No Industry District' or 'Zero Industry District' in April 1983. This is the most backward district in the State of Orissa on the basis of the index of agricultural development, index of territory sector activities including infrastructure, index of industrial development and index of socio-cultural activities. The district is not only backward from the total perspective of economic development, it is also backward in each and every individual sector of the economy. The pattern of development remained almost static during 1960's, 1970's, and 1980's. In all these decades the district has occupied the lowest position in the ladder of economic development as well as in sectoral development among the other twelve districts of the State.

1.5 EARLIER STUDIES:

The research work available on industrialisation and urbanisation particularly in most backward and tribal dominated areas in India is extremely limited. One finds that the maximum number of studies deal with relationship between industrial set-ups and tribal communities. The literature falls mainly into two categories:

(i) that deals with the impact of an industrial set-up upon a community, and

(ii) that deals with the impact of establishment of an industrial complex on the community, which is being
displaced on this account. "A tribal people in Industrial setting" (1959), a paper by Martin Oran is one of the earliest publications dealing with the above mentioned fields. Oran's paper deals, in fact, more with the problems of urban influence on traditional Santal culture than on the influence of industrialisation.  

Among the Indian Anthropologists, Prof. L.P. Vidyarthi has extensively studies the phenomenon of industrialisation and urbanisation with special reference to "Tribal Bihar". In "Urbanisation, Industrialisation and Social Change in Bihar" (1970), Prof. Vidyarthi deals with the process of urbanisation and industrialisation in India in general and in the tribal belt of middle India in particular. A.K. Das and H.M. Banerjee (1964) conducted a survey of the predominantly tribal areas in West Bengal where heavy industries were set-up.

F.G. Bailey (1957) from the University of California made a study "Caste and the Economic Frontier" on the Bisipura village of Phulbani district. His study was mainly analysed the changes that have come about in the internal organisation of an Oriya village, as a result of the extension of the economic and administrative frontier. According to him "this book is not primarily concerned with the development of the Kond-Oriya relationship, which is a problem in itself, I intend to describe an Oriya village and the changes in its internal political structure which have followed the coming of the Administration."  

Industrialisation involves migration of workers of different regions and thereby, a new social system is created. Social Anthropologists have studied the consequences of industrialisation on not merely the localised problems pertaining to the village but also on financial problems. In this connection, mention may be made of the study conducted by Martin Oran.
In Orissa, no specific study has yet been made except a very few sketchy publications either by the Bureau of Statistics and Economics published a small booklet on "Structure of small scale Industries in Orissa". This study provides some broad information regarding the subject. Annual survey of industries is the only official document published by the Bureau of Statistics and Economics. This Annual Survey of Industries is supposed to be published every year, but it is not published regularly. The last two reports published - one in 1978-79 and other in 1982-83 (which is available only in 1990). This report gives the basic information of large, medium and small-scale industries regarding employment, capital investment, production, value added and other industrial ratios of the existing industries. This is the only officially published guidelines of the State. Similarly, Statistical hand-book of Industries published by the Directorate of Industries provides information on the existing industries only. In view of this, a study of the strategies for industrialisation of a "No Industry District" in the context of a sub-national and/or sub-state region assumes greater importance not only from the stand point of its economic character, but also from the point of view of policy thrust and backward regional/arca development. Such a study has assumed greater importance now in view of the recent importance given to the decentralisation of economic power and backward regional development. It is, therefore, proposed to undertake this study in a more identifiable small area such as in Phulbani district, a most backward district of the State with special reference to integrated rural development through industrialisation which has assumed great importance in recent years.

1.6 PRESENT STUDY:

The earlier studies were mainly focussed on the socio-cultural changes that were brought about or likely to bring about the new industrial environment. There is no gainsaying the fact that the earlier studies made significant contribution to the understanding
of the transformation that is taking place in tribal belts and the emergence of new cultural patterns. But those studies do not throw much light on the entrepreneurial ventures undertaken by the local people in a most backward region including rural poors and tribals themselves. The present study, besides dealing with the potentiality of industries that can come up in the district, creation of new employment opportunities to the local people including rural poors and tribals, is also an attempt to bring out the aspirations of the local people in the most backward region regarding setting up of the industries themselves. Thus, it is hoped, will be a pointer to the further plans that might be undertaken in the region.

1.7 SELECTION OF STUDY AREA:

It is proposed to study in depth the problems and prospects of setting up of industries in a most backward and tribal dominated region. The district being intermediate administrative region of a State for which some data base is available, it is chosen as a region for the purpose of present study. District is also accepted as a policy unit for the purpose of regional integrated rural development through industrialisation in Orissa and most of the development programmes are administered at that level. Therefore, a district in the State is chosen to serve as the parameters of the study. Of the 13 districts of the State of Orissa, Phulbani is the most backward, tribal dominated and neglected district. Though the district has potentiality for development, during the span of four decades of planning, no such developmental actions have taken place in comparison to other districts of the State. What are the lacuna for development, and what can be suggested towards upliftment of the rural and tribal poors through industrialisation process? So purposefully Phulbani is taken as a sample district for the study.

1.8 OBJECTIVES OF THE STUDY:

The concept and pattern of development programmes for industrialisation have taken different shapes in different times and different places. In spite of the best possible objectives and tech-
niques, there is a wide gap between assessment and achievement. The different approaches experimented at different places did not assure much yield for want of proper diagnosis and understanding of the concerned regions, constituent elements and other attendant problems. It is very difficult to find out the real crux of the problem. The desired success of our planning process has not been materialised due to multifarious faulty actions in the areas of policy, planning, administration and implementation.

The present study is mainly confined to Phulbani district in the State of Orissa. This district under study is one of the most neglected district of the State in developmental plans. Strategy for industrial development of the district requires greater emphasis. Therefore, an attempt is made to study and to suggest for creation of an industrial base in the most backward and tribal dominated district (Phulbani) of Orissa with a hope to save the tribals and rural poors from the clutches of poverty and unemployment through formulating ideas, plans, programmes and schemes for industrialisation keeping an eye on the national objectives. The main objective for improvement of various industries in the district and exploring the possibilities of industries should be :

1) Assessing the bench mark of industrialisation;

2) categorisation of industries, such as resource based, demand based and others;

3) assessing the pattern of growth in certain fields and the causes thereof;

4) to find out the spread of industries in the last 30-40 years;

5) assessing the various factors inhibiting the growth;

6) formulation of ideas, for the type of industries to come up;
vii) framing strategies for industrialisation;

viii) to examine whether industrialisation evoked interest in the local rural poor and tribals and create new aspirations for rapid development of their economy;

ix) to assess the nature and extent of socio-cultural potential and adaptive value of the tribal population to industrialisation.

1.9 METHODOLOGY:

As the present study is an intensive enquiry and assessment towards industrialisation, in keeping with the nature of the study, the methodology comprises of three major phases: (i) Desk research, (ii) Primary Survey and (iii) Discussions with appropriate authorities.

(i) Desk research was confined to collection of all secondary data/information from various authentic sources, offices and agencies connected with the development of industries in the district.

(ii) Primary survey was conducted on sample survey basis to obtain information on various aspects of individual entrepreneur as regards skills available, socio-economic status, interest in learning/introducing new skills, problems in getting finance and marketing the products. Besides, sample industrial units were taken for evaluation relating to their socio-economic and financial status, availability of raw materials, problems in getting finance and marketing their products, etc., to enable the scholar to frame the strategy for future growth.

(iii) Discussions were held with various officials relating to the present problems and future plans and programmes for development of industries in the district.

In the process of collection of requisite data for the study, schedules and interview guides have been taken care of. Statis-
tical techniques have been followed in interpreting quantitative data. Interview method has been followed for collecting some of the qualitative data. Observation method has also been taken care of wherever necessary. Approach of the study is holistic in nature.
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<td>1.1</td>
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<td>Select socio-economic indicators for different states in India.</td>
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<td>1.3</td>
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