CHAPTER -I
Introduction
CHAPTER I.

INTRODUCTION

Philosophy and Concept of Industrialisation

Most of the countries of Asia, Africa and Latin America are poor, undeveloped and backward. There is widespread poverty, low level of income, low standard of living, over population, insecurity, illiteracy and poor health. They are primarily dependent on agriculture and there is no industry, or little industry. 'Spokesmen for South Asian countries frequently use the terms 'pre-industrial' or 'under industrialised' as synonyms for 'poor' or 'under developed', in regard to their countries and industrialisation is considered the most effective means to overcome the problems of poverty, low level of income, low standard of living, over population etc. 'It is an effort in which the underdeveloped countries place a major hope of finding a solution to their problems of poverty, insecurity and over population and ending their newly realised backwardness, in the modern world. It is considered that industrialisation will reduce under employment of agricultural labours and will provide stimulus or lift the country out of stagnation. In broad sense industrialisation is

characteristics are: use of power driven machinery, sophisticated technology, large capital investment and extended specialisation and division of labour. In other words it is a rise in non-agricultural occupations and in the use of machinery, advanced techniques, specialisation, transportation and power. "Industrialisation is only a part of economic development, which is only a part of social progress". Social progress means advancement in terms of broad human values - gains in health, education, self Government, individual freedom, security, creativity and other values that contribute to human dignity. Economic development a part of social development is an increase of productivity and living levels, resulting from more efficient agriculture, commerce and industry. Mr. Pei Kang Chang defined industrialisation as a process in which changes of a series of strategical production functions are taking place. It involves those basic changes that accompany the mechanisation of an enterprise, the building of a new industry, the opening of a new market, and the exploitation of a new territory. This is, in a way, a process of 'deepening' as well as widening of capital. By strategical production functions, Pei Kang Chang means, industrial revolutions and innovations of steam engines, railways, steamships, electric power, introduction of machines to manufacturing industry and agriculture.

4. Ibid-page-11.
5. Ibid-Page-12(Exhibit)
and recently the atomic and spurtic power. Deepening process is one where more capital is used per unit of output, while the widening process means that capital formation grows pari passu with the increase in the output of final goods. Industrialisation and high productivity are directly co-related, Eugene Staley says that the two are parts of an inter-linked process. One does not proceed very far without the other. It is equally true to say (i) that high productivity produces industrialisation and (ii) that industrialisation produces high productivity.

Industrialisation means as per a UNESCO Report an absolute and relative growth in the importance of factories, mills, mines, power plants, railways and so on of manufacturing and closely related activities, specially, activities involved in the building and operation of modern economic infrastructure. It is "a sustained rise in the share of total product originating or of total labour force and material capital employed in an industry."

The industrial system of production rests on wide markets and supply sources and a complex large scale organisation of human relationships. Therefore, we may also list as

essentials of industrialisation" as under:

1. A money economy,
2. Efficient Transportation and Communication,
3. A system of Government able to provide public order and the services essential to industry and trade,
4. An educated population (as compared with pre-industrial societies at any rate).

Modern industrialisation, as a result of technological advancements, has developed two distinctive characteristics. "First, the increasing use of mechanised power, the greater control over materials, and the greater articulation of the underlying basic knowledge, made for greater economies of scale, and for an optimum size of industrial plants for larger than that of pre-modern times........ Second the growing control over natural processes that the expanding use of science and science based technology permitted, accelerated economic growth, as is evident from rates of increase in population and per capita product for higher than those which prevailed in the past.

Industrialisation is also treated as a process in which the economic gains of industrial progress, mainly in the nature of increasing returns, are continuously created and wholly or partially realised. Besides, industrialisation

lifts the margin of diminishing returns. Increasing returns may be realised because of internal economies, or external economies or both. Under a particular state of technology, there is a certain scale or range of increasing return for an industrial enterprise or an industry. But a new technological innovation will prolong the scale, or enlarge the range, or create a new scale or range. Thus industrialisation is a process in which scales and ranges of increasing returns are continuously created, and frequently prolonged and enlarged.

Need of Industrialisation:-

The under-developed regions have long been mainly producers of raw materials, and they (elites of society) have observed that there is a strong and positive connection between the wealth and standard of living of a country and the extent of its industrialisation. They also see that as prices for raw materials fluctuate much more than prices of manufactured goods an economy which is dependent on the export of one or a few basic commodities suffers from instability of the national income more than economies which are industrialised and more self sufficient.

A United Nations analysis has shown that from 1901-1950 the average year to year variations in foreign exchange yield of eighteen major crops exported by underdeveloped countries was 23 percent. There is direct and positive relationship between industrialisation and economic development. The relationship of industrialisation to economic development was described by Myrdal in this way. 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; many of its products are indeed almost symbolic of a high living standard. Not least in the under-developed countries, the productivity of manpower in industry tends to be considerably greater than in the traditional agricultural 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 a high ratio of population to natural resources and, in particular, to land, manufacturing industry represents virtually the only hope of a greatly increasing labour productivity and raising levels of living, however, much is done to improve agriculture. But even in countries where the population pressure is lower — as for example, in many Latin American countries — the successful

15. Ibid—page-4.
exploitation of a more favourable relation between population and natural resources requires mostly the growth of manufacturing industry.

Directly and indirectly modern industry is expected to raise the productivity of the labour force and increase national output and income, rising incomes are then expected to swell the volume of savings and thus finance further investments in industry. In this vision, industrial expansion, once started, touches off a progressive spiral. In currently popular jargon, it leads the economy from the "take off" to "self sustaining growth 16"

Development of Concept of Industrialisation in India and South Asia

The British rule in India changed Indian industrial economy into a colonial economy and India became one of the largest raw material suppliers to European factories. Indian captains of Commerce and industry realised the situation and arose for industrialisation of the country. The great engineer economist Dr. Sir Vishwanaraya gave the slogan "Industralise or Perish" British Government was impressed to accept several measures for industrialisation of the country and several facilities were provided to Indian industries but proper policies for industrialisation of the country could be made only after independence. The belief of under-developed world

was also expressed by Shri Nehru when he said "Real progress must ultimately depend on Industrialisation". Through out the world industrialisation has indeed become the magic word of the mid twentieth century and "industrial development of the under-developed countries has become one of the great world crusades of our time.

The second Five Year Plan of India clearly stated that "rapid industrialisation and the diversification of the economy" is the Core of Development. The desire of the Government of India has been expressed on several occasions and in all Industrial Policies and Five Year Plans. Press Note on Incentives for setting up of Industries in Backward Districts/Areas dated April, 1963 also reads that one of the important objectives of Government policy is to correct regional imbalances and to secure the industrialisation of backward areas of the country.

South Asian leaders and elites realised the vice of colonial economy and laissez faire system and desired to reverse the colonial economic pattern. Also Western economic history revealed to them that "the present high level of productivity and income in advanced countries and the other

concomitants of economic well being—are the result of changes
set in motion by the industrial revolution. Historically in
western countries, agriculture’s claim on man-power has
diminished; at first the decline was relative but it very
soon became absolute. Progress toward rationality, equality
of opportunity, democracy, and national consolidation has
proceeded pari passu with industrialisation and the higher levels
of productivity and income made possible by it, or coming in
the wake of it. More recently, an Asian country, Japan, has
followed a similar course with striking success. Their
Ideology of industrialisation is greatly influenced by the
recent rapid development of industry through Government
Planning in the Soviet Union. " In communist ideology,
industrialisation embraces a theory and a programme calling,
in particular, for a fairly comprehensive industrial structure
based on heavy industry. This pattern is now often accepted
as a natural one for any large under-developed country to
initiate."

It was felt that the colonial countries after getting
independence must plan for industrialisation otherwise it will
continue in stagnation and poverty and will become subservient
to industrialised countries. The priority of industrialisation
in planning differ between country to country. An American
economist observed that the myth of American development

ideology is the community development programme, while the Soviet myth is the steel mill. There is little doubt which myth is highly esteemed in most of the under-developed world.

The ideology of industrialisation in South Asia has, further, been strengthened because of deteriorating world market for most of their primarily traditional exports. It revealed that international division of labour for rapid economic development is not working. The feeling has developed that production of primary commodities for export is futile and countries like Melaya and Ceylon which can augment foreign exchange earnings through expanded output of traditional export products regard it insufficient for economic development. The increasing population which can be absorbed only through industrialisation provides further impetus for industrialisation to countries like India, Pakistan, Indonesia (specially Java) and Ceylon where men land ratio is the highest. The under-employment and surplus labour from agriculture can be gainfully deployed in industries. The reason for emphasising industrialisation is that industrial development would absorb rural under-employed persons into those fields of production where higher productivity is possible without reducing total agricultural output.

22. Ibid-page-1152.

This theme is also expressed in India's second Five Year Plan when it says that "development involves a transfer of part of the working force from agriculture to secondary and tertiary activities. It further says that the objective of policy from the long term point of view should clearly be to keep to the minimum further increase in the working force in agriculture. The bulk of the new employment opportunities have, therefore, to be found in mining and modern industry, large scale as well as small scale, in construction and in tertiary occupations. Similar views were expressed in Ceylon's Ten Year Plan Shri Khursheed Hussain a Pakistan Economist, also expressed the same opinion in favour of industrialisation. He says that "Bums is the task of transferring the unemployed agriculturists to other sectors of the economy. In such circumstances, industrialisation becomes an imperative need for the development of this economy. There is a potential source of economic surplus in the form of idle man-power which can be tapped only by industrialisation. Shri V.K. Ramaswami an Indian Economist says that "the existence of large surplus labour force in agriculture is the main reason for industrialisation in India.............reasonable productive employment can not be provided for additions to the labour force without a rapid expansion. A Western Economist writes

24. India, Second Five Year Plan, Page-12.
27. Ibid-1154.
that the improvement in the economic position of subsistence farmers who make-up two third or more of the people in many under-developed countries is dependent upon industrialisation.

Thus industrialisation is considered the panaceas for unemployed manpower which can not be gainfully absorbed in agriculture which has limited scope for their absorption.

**Concept of Decentralisation:**

"A major purpose of economic development is to correct imbalances that arise out of the long period working of historical forces; imbalances between regions, countries and in turn-what in fact may be more serious - between regions in any one country, and even between sub-regions". To fulfil this purpose economic development through decentralisation of industries is necessitated. As per the Report of the Committee on Village & Small Scale Industries, of the Planning Commission all that decentralisation means is adopting improvements in technique, in such a manner and to such an extent that economic activity is still possible and is carried-out in comparatively small units widely scattered or dispersed throughout the country. In other words decentralisation means development of industries in places which have growth potentiality throughout the country by providing infrastructure facilities.

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The concept of regional or decentralised development of industries has assumed great significance in current economic thinking and planning. This approach is claimed to have particular importance for countries having a vast area. Regional method of industrial development is the sine qua non of rational economic planning. J. R. Bellerby said that the extremely localised character of industrial activity presents a serious stumbling block to the smooth performance of a national plan. A super-imposed national plan, and becoming part of it, there must be a regional plan in each area for dealing specifically with the large local residue of unemployment.

Planners in India realised the need of regional development and expressed the view that regional development leads to an equitable distribution of employment opportunities. Such development is based on the truth that "prosperity and poverty is indivisible." If industrial development in the country is to proceed rapidly and in a balanced manner increasingly greater attention will have to be paid to the development of those states and regions which have so far remained backward.

31. First Five Year Plan 1951 Page-442.
Prof. E.M. Hoover is of the view that policies of dispersal can operate on at least three distinct area levels e.g. for national self-sufficiency, regional self-sufficiency and community development. In the present world political situation "decentralisation is the most useful passive measure for guarding against disastrous destruction of industrial clusters and population from launching a heavy aerial attack. It also helps in the avoidance of migration of labour, prevention of the occurrence of depressed area and equalisation of the per capita income in different parts of the country."

Development of Concept in the World:

The concept of decentralisation is not new. The western industrialised countries felt the need of dispersal and decentralisation of industries well before Second World War. The Royal Commission on Distribution of Industrial Population of Great Britain (Barlow Commission 1937) Unanimously accepted that the objective of national economic planning should be the encouragement of a reasonable balance of industrial development, so far as possible, throughout the various divisions or regions of Great Britain, coupled with approximate diversification of industry in each division or region throughout the country. The report of the political and Economic Planning (PEP) Group has also emphasised the

34. Ibid-Page-260.
need for balanced regional development. In the U.S.A. the question of regional planning has been very thoroughly examined by the National Resources Planning Board. In 1933 President Roosevelt created the Tennessee Valley Authority to serve as a model of the process of developing backward regions.

Industrial development in Soviet Russia has been carried out in such a way that the distinction between agricultural and industrial regions has been obliterated and backward villages and congested industrial centres have practically ceased to exist.

Development of Concept in India:

In India also the need for dispersal and decentralisation of industry was felt long before independence. Dr. Radhakamal Mukherjee was probably the first notable Indian writer to stress the coordination of region town and village planning in the country...... He suggests for India the adoption of an economic plan like that of Russia for offering differential advantages in favour of industries in the raw material and undeveloped economic regions losing sight neither of the programme of inter regional distribution of labour and resources nor of the present economic imbalance and over crowding in agriculture in the backward areas.

35. T. R. Sharma, Location of Industries in India, Page-1.
Decentralisation in India:

Industrial location in India presents sharp contrast. On the one hand there is disproportionate growth of a few large scale industries in a few selected areas and on the other, the virtual absence of such enterprises in the great part of the country. During 1951 two industrial centres Calcutta and Bombay had lions share in industries and they accounted for 42 per cent of the total registered factories and represented 67 per cent of the entire paid-up capital of manufacturing industries and that they contributed 60 per cent of the total output of manufacturing. Even more striking is the fact that these two centres with 12 per cent of the total urban population accounted for 63 per cent of the total workers. Therefore, regional balance of equitable participation by all regions in the process as well as benefits of development has all along been one of the principal objectives of industrial development in India.

The Second Industrial Policy Resolution of Government of India dated 30th April, 1956 underlines that "In order that industrialisation may benefit the economy of the country as a whole, it is important that disparities in levels of development between different regions should be progressively reduced. The lack of industries in different parts of the country is very often determined by factors such as the

availability of the necessary raw materials or other
natural resources. A concentration of industries in certain
areas has also been due to the ready availability of power,
water supply and transport facilities which have been developed
there. It is one of the aims of National Planning to ensure
that these facilities are steadily made available to areas
which are at present lagging behind industrially or where
there is greater need for providing opportunities for
employment, provided the location is otherwise suitable. Only
by securing a balanced and coordinated development of the
industrial and the agricultural economy in each region, can
the entire country attain higher standards of living.

The report of the Planning Commission on the First
Five Year Plan hardly contained reference to balanced regional
development. The Commission's report on the Second Five Year
Plan did take into consideration this aspect of economic
development, and probably, to a limited extent, regional
disparities were taken into consideration in the allocation
of resources. But still balanced regional development did not
emerge as a major factor in the programme of economic
development. In the Third Five Year Plan this factor has
received adequate treatment at least at the academic level
when they say that balanced development of different parts

41. Second Industrial Policy Resolution of Government of India
dated 30th April, 1956.

42. P.S. Laksmanan - Regional Economic Development -Third
Five Year Plan and India's Economic Growth, Edited by
of the country, extension of the benefits of economic progress
to the less developed regions and wide spread diffusion of
industry are among the major aims of planned development.

Planners in India accepted that areas and regions
can be made favourable for industrial development by "raising
levels of education and skill, developing power and, generally,
by applying science and technology on a larger scale .......
However, not all regions can offer equally favourable conditions
for the development of industry". They wished further that
"apart from the basic and capital goods industries and other
large industries, there are other industries whose possibilities
need to be fully explored such as labour intensive industries
of the traditional type, small scale industries of modern type,
agricultural processing industries, forest industries, assembly
operations and recreational industries ..." for regional balanced
development. The Third Five Year Plan says further that "for
the better utilisation of resources under the plan, the attempt
should be to provide assistance intensively at points where
conditions are relatively more favourable and to build up in
this manner a number of successful centres which may serve as
models and as nuclei for more wide spread development ......."

43. Third Five Year Plan of India, Page-142.
44. Ibid-Page-143.
All the Five Year Plans of India stressed on dispersed industrialisation and reduction in regional imbalances. The Industrial Policy Resolution of 1977 and 1980 also emphasised reduction and eradication of regional imbalances.

**Rural Industrialisation and Decentralisation:**

The objective of regional balance or equitable participation, however, was not achieved during the first three five year plans. The committee on dispersal of industries also recommended that greater emphasis should be given for the establishment of industries in backward areas. Therefore, to reduce and eradicate regional imbalances and for dispersal of industries the policy of rural industrialisation as well as controlled development of large scale industries was adopted. Rural industrialisation is necessary because "40% of the urban population and 50% of the rural population in India are still below the poverty line without to a minimum of total consumption of clothing and housing. The population of the rural poor in India is higher than India's population of 222 million in 1921 and it is almost 46 equal to the population of USSR. It is also needed because "Since 1872, there has been stagnation in the distribution of work force among the primary, secondary and tertiary sections accounting for about 72 per cent in agriculture.

46. R. V. Rao, Rural Industrialisation in India, Page-3.
and allied occupations, 10 per cent in industry and 18 per cent in service employment without any appropriate change over the
47 decades.

The programme of rural industrialisation has been engaging attention of social reformers, leaders and economists since before independence. After independence Community Development and National Extension Programme was launched by the Planning Commission on Gandhiji's Birthday, October, 2, 1952. The minimum programme included development of village industries, supply of improved tools to traditional artisans, training artisans to improve their skill, granting of loans and subsidies to village artisans, organising artisans in the industrial cooperatives, establishment of common facility centres and rural workshops.

Besides, during the First Five Year Plan six Specialised Boards were constituted for the development of village and small scale industries in rural and urban areas. These are Handloom Board, Handicraft Board, Silk Board, Coir Board, Khadi & Village Industries Commission and Small Scale Industries Board. All these development Boards and the community Development Department have launched a series of programmes for rural industrialisation of the country, but the impact of all these programmes in the rural economy has not been very significant. 49

47. Ibid-Page-3.
48. Rural Industrialisation and Growth Centre-Small Scale Industries in India by DC(551), New Delhi, 1960, Page-109.
The Kárva Committee appointed by the Planning Commission during Second Five Year Plan, examined in detail the question of decentralisation of industries. The Committee stressed the principle of decentralisation of industrial development. It "felt that progressive expansion and modernisation of the rural industry can be most economically brought about by the spread of small industrial units along with the necessary services among the big villages and small towns located all over the country. The Committee recommended that the pattern of industrial activity that should gradually emerge is that of a group of villages having its natural industrial and urban centres. These small urban centres will be related to big ones. Thus, a pyramid of industry broad based on a progressive rural economy will be built up."

The Government of India took up an important step in 1956 and sponsored 26 Community Industrial Pilot Projects, spread throughout the country for intensive and coordinated development of village and small scale industries in rural areas. After a period of three years the working of the projects was studied by Mishra Committee. The study team which evaluated the working of C. D. Industries pilot projects gave more definite shape to the idea, propounded by Kárva Committee, suggesting potential growth points on a selective basis for rural industrialisation. "The team proposed

the development of a selected growth centre in a C.D. Block which may fulfil the requirements of adjoining villages. These selected centres may be those which have over the years become natural centres or focal points, where commercial and industrial activity has tended to develop and take root. These centres which the team call the "Rural Industrial Centres" would act as frontier check posts of migration and provide opportunities for local industrial groups. The objective was to tone down as far as possible further expansion of metropolitan cities and bring down and provide employment opportunities for the population in villages as close to their present abode as possible. The team also recommended that rural industrial estates, common facilities and artisan training centres might be established at these selected Rural Industrial Centres.

The Small Scale Industries Board at its 16th meeting held in April, 1960 referred to the need to assist the establishment of a decentralised society by the dispersal of small scale industries, to hitherto undeveloped and underdeveloped areas. A Committee was constituted to examine the question of industrialisation of rural areas and industrially undeveloped areas in the country through small and medium scale Industries.

The approach of this Committee, to the problem has been from the point of view of small scale industries and it has, therefore, mainly applied itself to the finding out of certain common measures which might be considered for adoption with a view to encouraging dispersal of small scale industries to backward areas. It, however, recognises that dispersal of a particular sector of industry in isolation, without regard to what might be happening to other industries, is unrealistic and, therefore, recommends that certain overall measures might be considered by Government for stimulating location of large scale industries in the backward areas particularly for the purpose of promoting development of ancillary industries.

The final draft of the Third Five Year Plan indicates very clearly that backward areas are going to be specially developed. One of the firm decision in the Third Plan is that in licencing industrial establishments, relatively under developed areas will have high priority and the areas of large industrial concentration a relatively low priority. The State plans are also reoriented towards diffusion of economic activity, state plans include small scale and medium industries, the whole field of agriculture, Community Development and irrigation, road transport, social overheads like education, health, sanitation, housing, water supply etc. These investments will strengthen the tendencies towards dispersal and will also

lead to the removal of those handicaps which stand in the way of development of certain areas.

The International Prospective Planning Team of the Ford Foundation, which was invited by the Government of India in 1962 with the purpose of reviewing progress made in small scale industries sector and to consider the lines on which it could be further developed, endorsed the ideas as the focal points for spatial decentralisation. The team stressed the point that "small industry should not be considered the main instrument of industrial dispersal policy. It can be a useful instrument but it will be wastefully ineffective unless used in combination with other means of influencing spatial pattern of industrial development. The team specifically mentioned that "more weight should be given to achieving industrial dispersal by influencing the location of new large scale units. With regard to rural industrialisation and dispersal of industries the advice of the team was to "choose for priority attention in industrial development, among all the many areas that are industrially lagging, those areas that show greatest industrial growth potential. And within the growth potential areas select certain cities and towns that show greatest promise and readiness to be developed into industrial growing points.

56. Ibid, Page-121.
The sub group on small scale industries for the Fourth Five Year Plan suggested that 700 growth centres should be identified in the country for over all development of rural areas. The Government will provide several assistance to the industrial units coming up in these areas. The scheme is merged with the general scheme of the development of backward areas.

Besides, a number of other schemes were also launched by the Government of India for effecting decentralisation of industries. Programmes of Rural Industries Projects/Rural Artisans Projects Programme (RIP/RAP) and growth centre are important of them.

The Rural Industries Projects (RIP) programme was launched by the Planning Commission as a centrally sponsored scheme in the year 1962-63, with a view to accelerate the development of rural and other industries. Initially the programme covered 45 selected areas in 15 States covering 3 to 7 C.D. Blocks and a population of 3 to 5 lakhs. The coverage of the area was subsequently increased and it covered districts by the year 1977. "The rural Industries Planning Committee" reviewed the progress of the programme up to March, 1970 and felt that the programme has proved to be an effective instrument in providing employment opportunities in rural areas and in increasing production. Special incentives and
facilities were provided to the industries coming up in the project areas. Towns with population not exceeding 25,000 were covered under the programme.

The Rural Artisan Programme has also been a Central Government programme which took root from Small Farmers Development Agency/Marginal Farmers and Agricultural Labourers Programme. The main objective of the programme has been to upgrade the skill of rural artisans by providing them required training for the improvement of techniques and tools so that they are able to increase their earning. Beneficiaries under the programme are selected from rural artisans and their family members, landless farmers, who got more than 50% income from agriculture, farmers who have less than 5 acres of land and scheduled castes/tribes candidates. They are provided training in various trades and crafts at Industrial Training Institutes, Polytechnics, Training Centres organised by Khadi & Village Industries Commission and State Governments. Private institutions are also requested to organise mobile training centres. Artisans are paid a stipend up to a maximum of Rs. 100/- per month.

These programme of Rural Industries Projects and Rural Artisans Projects Programme were merged with the programme of District Industries Centre for better implementation and to avoid duplication of agencies.
Concept and Criteria of Backwardness:

Backward areas are those under-developed places which are deficient in certain infrastructural facilities and economic factors essentially needed as pre-condition for industrial development, absence of which cause slow/no industrial development. These facilities are availability of power, water, raw materials, transport and communication, banks, post offices, proximity to trading centres, housing, medical, educational and entertainment facilities. Small scale industries Board which is responsible for industrial development, spread in focal growth points through out the country, appointed a Committee to suggest means and policies for dispersed industrial development.

The Committee on Dispersal of industries appointed by Small Scale Industries Board in 1960, which was set up to examine the question of industrialisation of rural areas and industrially undeveloped areas in the country through small and medium scale industries, took up for the first time the work of identifying backward areas.

Criteria for identification of backward areas differ from country to country. In Europe and in the U.S.A. unemployment is the general criterion applied to identify backward areas.......unemployment, however, being a common feature everywhere in India, application of a single criterion like this for the purpose of determining comparative backwardness
is not considered desirable. Instead, several factors based on available data as well as the interaction of several economic criteria should be taken into account for the purpose of determining backwardness of an area.

The Committee laid down the following criteria for determining backwardness:

1. Poverty of the people as indicated by -
   - Low per capita income; and
   - Low per capita consumption *

2. High density of population in relation to development of productive resources and employment opportunities as indicated by the following factors:
   - High ratio of population to cultivable land (50% below the national average of per capita land holding should be considered as backward)
   - Low per capita gross value of agricultural output (50% or more below the national average should be considered as backward).
   - Absence or under exploitation of other natural resources viz; minerals, forest and animal.

* District having per capita income of 25 per cent below the national average and 10% below the State average should be considered as backward. As in certain cases the State average itself might be considerably below the national average, for the purpose of determining comparative backwardness of districts in such States it was necessary to compare their district data with the State average. Hence both the national and the State averages should be taken into consideration.

(d) Low percentage of population engaged in secondary and tertiary activities, 25% below the national average should be considered as backward.

(e) Low ratio of urban to rural population. (Districts where the ratio was less than 50% of the national average might be considered as backward).

(f) Low percentage of factory employment. (50% below the national average might be considered as backward).

(3) Poverty of communications as indicated by small lengths of railways and metal roads per square mile. (Districts where the railway and road mileage fall below 50% of the national average might be considered as backward).

(4) High incidence of unemployment or gross under employment.

(5) Consumption of electric power.

Based on above criteria and data supplied by State Governments the Committee found a number of districts as backward in various States of the country and suggested several incentives to be provided to industrial units coming up in these areas.

The planning Commission while formulating earlier Draft Fourth Plan (1966-71) advised State Governments to devote special attention to the development of backward areas.
and in this connection classified backward areas into five
categories:

(a) desert areas,
(b) chronically drought affected areas,
(c) hill areas including boarder areas,
(d) areas with high concentration of tribal population, and
(e) areas with high density of population, low levels of
income, employment and living etc.

A study group was appointed by the Planning Commission
to review a set of indicators of regional development. The
study group recommended 15 indicators which were accepted by
the Planning Commission.

Since the criteria of identification of backward areas
suggested by the Committee on Dispersal of Industries and
working Group of Planning Commission were different, the
Committee of the National Development Council decided in its
meeting held on 13th September, 1968 to set up two working
groups to make a careful study of the question of regional
imbalance. The first working Group under the Chairmanship of
Shri B.D. Pandey, the then Secretary, Planning Commission was
"to recommend the objective criteria to be followed in the
identification of backward regions which would qualify for

Areas—Page-7.
special treatment by way of incentives for industries to be set up in such regions. The second working Group was set up under the Chairmanship of Shri M.N. Wadhwa, the then Secretary, Department of Industrial Development, Government of India. The Group was advised:

(a) To consider the nature of concessions to be given for encouraging the development of industries in the backward regions and in particular to examine procedural, financial incentives;

(b) To consider the role of State Governments and financial institutions in the development of industries in backward regions;

(c) To examine the type of disincentives that should be introduced to avoid concentration in metropolitan or highly industrialised areas.

The Reports of the Working Groups were accepted by the Government of India and a number of districts were declared backward districts throughout the country. Backward districts were placed into two categories:

1. Backward districts eligible for financial assistance and

2. specially backward districts eligible for capital subsidy, besides financial assistance.

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The Government of India reclassified backward districts into three categories A, B & C and they were made eligible for capital subsidy @ 25% (to a maximum amount of Rs. 25 crores) 15% (to a maximum amount of Rs. 15 crores) and 10% (to a maximum amount of Rs. 10 crores) on their total fixed investment (land, building, plant & machinery). The concept of No Industry Districts and special regions were also adopted and these areas fall under Category A districts.

The State Governments of Uttar Pradesh also have declared backward tahsils/blocks which are eligible for State Capital Subsidy. It has also notified a number of Zero industry tahsils where pioneer projects having investment of Rs. one crore and above and prestige projects having investment of Rs. 25 crores and above are given 15% capital subsidy on their fixed capital investment.

Historical Retrospection of Industrial Development in India

"At a time when the west of Europe, a birth place of modern industrial system, was inhabited by uncivilised tribes, India was famous for the wealth of her rulers and for the high artistic skill of her craftsmen. And even at a much later period, when the merchant adventurers from the west made their first appearance in India, industrial advancement of this country was at any rate, not inferior to those of the more advanced European nations. It was hub of world commerce and..."

the magnet of world precious metals. However, the Indian industry and trade which flourished during 16th and 17th century faced sharp decay because of Industrial Revolution in England and British Policy of treating imports of Indian cloth as plague. Import and use of Indian printed calicos in England were prohibited by Acts of 1701 and 1720. Several other factors were also responsible for the decay of Indian industry.

Modern industries started in India with the plantation of indigo, tea and coffee. First cotton mill was started in 1854 with Indian capital and enterprise. Jute Mills were set up in 1855 near Calcutta mostly with foreign capital. Coal mining and emergence of railways helped industrial development. British Government realised the need of industrial development in India during First and Second World War periods. Report of Industrial Commission 1916, Indian Munitions Board, 1917 and Fiscal Commission 1921 smoothed the path of industrial development during British Rule in India. "Several industries rapidly expanded and a number of new industries came up, such as, steel, sugar, cement, glass, industrial chemicals, soap, vanaspati and some branches of engineering." Nevertheless in the opinion of Thomas Denial and Alice "the birth of modern industry in India has been a prolonged and painful process."

63. India, 1975 Publication Division, Ministry of Information and Broad Casting, Govt. of India, Page-219.
The total number of factory workers has never reached one percent of the population. And over the last fifty years the urban craftsmen and other hand workers have declined not only in proportion to the rest of the population but even in absolute numbers.

**Industrial Development during Five Year Plans**

"When independence came, India had a slender industrial base. Millions of her rural people suffered under the weight of a traditional agrarian structure. A long period of economic stagnation, against the background of increasing pressure of population, followed by the burdens of the Second World War, had weakened the Indian economy."

First Five Year Plan (1951-56) was launched primarily to increase agriculture production and reduction of inequality as "without a substantial increase in the production of food and raw materials a higher tempo of industrial development can not be sustained." The country achieved its targets because of good monsoon and sound foreign exchange reserves position. A mixed economy was adopted where "public and private sectors should function side by side as integral parts of a single organism."

The Second Five Year Plan (1956-61) was a

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65. Third Five Year Plan, Planning Commission, Govt. of India, Page-6.
bolder and more ambitious plan with the main aim of industrialisation of the country. About 24% (Rs. 1125 crores) of the total public sector expenditure was made on industrial development including village & small industries during Second Plan period against 6% (Rs. 17 crores) during First Plan period. Emphasis on industrial development continued during Third and subsequent Five Year plans. Expenditure on industrial development was 23% (Rs. 1967 crores) of the total public sector expenditure during Third Plan period which reduced slightly to 19% during Fourth Plan and rose again to 24.3% during Fifth Plan and 15.7% during Sixth Plan period. Proposed expenditure on industrial development during Seventh Five Year Plan is Rs. 22,461 crores out of the total public sector expenditure of Rs. 1,80,000 crores. In an absolute term expenditure has been increasing considerably. In case of Small & Village Industries expenditure has been increasing. But percentage expenditure which was 37.0% during First Plan period began to fall down in subsequent plan period and reached the lowest level of 12.2% of the total expenditure of Mineral large and small industries under public sector.

It was mainly because of the fact that expenditure made in village and small scale sector was on providing infrastructural facilities for their rapid development while in mineral and large scale sector Government had to set up a large number of public sector undertakings also.

Planwise expenditure on industrial development are given in Table 1.1.
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>2.</td>
<td>3.</td>
<td>4.</td>
<td>5.</td>
</tr>
<tr>
<td>First Plan</td>
<td>74 (63.0)</td>
<td>43 (37.0)</td>
<td>117 (100)</td>
<td>6.0</td>
</tr>
<tr>
<td>(1951-56)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Plan</td>
<td>938 (83.4)</td>
<td>187 (16.6)</td>
<td>1125 (100)</td>
<td>24.0</td>
</tr>
<tr>
<td>(1956-61)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third Plan</td>
<td>1726 (87.7)</td>
<td>241 (12.3)</td>
<td>1967 (100)</td>
<td>23.0</td>
</tr>
<tr>
<td>(1961-66)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Plans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(1966-69)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Plan</td>
<td>2864 (92.2)</td>
<td>243 (7.8)</td>
<td>3107 (100)</td>
<td>19.0</td>
</tr>
<tr>
<td>(1969-74)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fifth Plan</td>
<td>6852 (93.0)</td>
<td>510 (7.0)</td>
<td>7362 (100)</td>
<td>24.3</td>
</tr>
<tr>
<td>(1974-79)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Plans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(1970-80)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sixth Plan</td>
<td>-</td>
<td>-</td>
<td>17176 (100)</td>
<td>15.7</td>
</tr>
<tr>
<td>(1980-85)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seventh Plan</td>
<td>19708 (67.9)</td>
<td>2753 (12.2)</td>
<td>22461 (100)</td>
<td>12.5</td>
</tr>
<tr>
<td>(1985-90)</td>
<td></td>
<td></td>
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</table>


* Figures in bracket indicate percentage share of total expenditure on Industrial Development.

**Progress and Achievement during Plans**

There has been increase in the production of basic and heavy industries such as iron & steels, chemicals, machinery, cement, fertilizers, aluminium and consumer goods like textile, scooter/motor-cycles, electric fans, radio receivers, sugar, paper etc. Production of selected industrial and consumer goods during various plan periods are as under:

**TABLE-1.2.**

**Progress of Industrial Production selected Industries**

<table>
<thead>
<tr>
<th>Industry/Unit</th>
<th>1950-51</th>
<th>60-61</th>
<th>70-71</th>
<th>80-81</th>
<th>81-82</th>
<th>82-83</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Coal (including lignite (Lakh Tonnes))</td>
<td>328</td>
<td>557</td>
<td>763</td>
<td>1186</td>
<td>1301</td>
<td>1371</td>
</tr>
<tr>
<td>2. Iron ore (**)</td>
<td>30</td>
<td>110</td>
<td>325</td>
<td>422</td>
<td>408</td>
<td>416</td>
</tr>
<tr>
<td>3. Pig iron (**)</td>
<td>16.9</td>
<td>43.1</td>
<td>69.9</td>
<td>95.5</td>
<td>96.9</td>
<td>95.8</td>
</tr>
<tr>
<td>4. Steel (**)</td>
<td>14.7</td>
<td>34.2</td>
<td>61.4</td>
<td>73.5</td>
<td>86.0</td>
<td>86.2</td>
</tr>
<tr>
<td>5. Finished Steel</td>
<td>10.4</td>
<td>23.9</td>
<td>44.8</td>
<td>62.8</td>
<td>72.6</td>
<td>82.9</td>
</tr>
<tr>
<td>6. Machines (S.Crores) Tools</td>
<td>0.3</td>
<td>7.0</td>
<td>43.0</td>
<td>196.2</td>
<td>249.9</td>
<td>270.0</td>
</tr>
<tr>
<td>7. Automobiles (000 Nos)</td>
<td>16.5</td>
<td>55.0</td>
<td>87.9</td>
<td>121.0</td>
<td>154.4</td>
<td>151.4</td>
</tr>
<tr>
<td>8. Motor Cycles &amp; Scooter (000 Nos)</td>
<td>-</td>
<td>19.4</td>
<td>97.0</td>
<td>317.1</td>
<td>316.2</td>
<td>399.8</td>
</tr>
<tr>
<td>9. Diesel Engine (**)</td>
<td>5.5</td>
<td>44.7</td>
<td>65.0</td>
<td>173.9</td>
<td>174.5</td>
<td>161.0</td>
</tr>
<tr>
<td>10. Cycles (**)</td>
<td>99</td>
<td>1071</td>
<td>2042</td>
<td>4189</td>
<td>5051</td>
<td>4890</td>
</tr>
<tr>
<td>11. Sewing M/c (**)</td>
<td>33</td>
<td>303</td>
<td>235</td>
<td>335</td>
<td>343</td>
<td>309</td>
</tr>
<tr>
<td>12. Power Transformers (Lakh KVA)</td>
<td>1.8</td>
<td>41.1</td>
<td>60.9</td>
<td>194.6</td>
<td>215.0</td>
<td>186.0</td>
</tr>
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</table>

69. India 1984 Page-456-59 (Hindi)

Contd....
<table>
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<th>2.</th>
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<th>6.</th>
<th>7.</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. Electric Motors (000 HP)</td>
<td>99</td>
<td>728</td>
<td>2721</td>
<td>4060</td>
<td>4529</td>
<td>4700</td>
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<tr>
<td>14. Electric Fans (Lakh Nos.)</td>
<td>2</td>
<td>10.6</td>
<td>17.2</td>
<td>41.8</td>
<td>38.3</td>
<td>41.0</td>
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<tr>
<td>15. Radio Receivers (000 Nos.)</td>
<td>54</td>
<td>282</td>
<td>1794</td>
<td>1734</td>
<td>1739</td>
<td>1439</td>
</tr>
<tr>
<td>16. Nitrogenous Fertilizers (000 Tonnes)</td>
<td>9</td>
<td>98</td>
<td>830</td>
<td>2164</td>
<td>3144</td>
<td>3434</td>
</tr>
<tr>
<td>17. Phosphatic</td>
<td>9</td>
<td>52</td>
<td>229</td>
<td>842</td>
<td>949</td>
<td>980</td>
</tr>
<tr>
<td>18. Fertilizers(“”)</td>
<td>45</td>
<td>152</td>
<td>449</td>
<td>563</td>
<td>632</td>
<td>635</td>
</tr>
<tr>
<td>20. Paper &amp; Paper Board(“”)</td>
<td>8.7</td>
<td>14.4</td>
<td>37.9</td>
<td>79.7</td>
<td>87.1</td>
<td>86.9</td>
</tr>
<tr>
<td>21. Automobile Tyres (Lakh No)</td>
<td>33</td>
<td>111.5</td>
<td>192.0</td>
<td>270.0</td>
<td>266.0</td>
<td>275.0</td>
</tr>
<tr>
<td>22. Cycle Tyres(“”)</td>
<td>27.3</td>
<td>79.7</td>
<td>143.0</td>
<td>186.0</td>
<td>209.0</td>
<td>232.0</td>
</tr>
<tr>
<td>23. Petroleum Products (Refined) (Lakh Tonnes)</td>
<td>2</td>
<td>58</td>
<td>171</td>
<td>241</td>
<td>282</td>
<td>311</td>
</tr>
<tr>
<td>24. Cotton textile (Crore Metre)</td>
<td>421.5</td>
<td>637.8</td>
<td>777.2</td>
<td>963.8</td>
<td>951.8</td>
<td>924.6</td>
</tr>
<tr>
<td>25. Sugar (Lakh Tonnes)</td>
<td>11.3</td>
<td>30.3</td>
<td>37.4</td>
<td>51.48</td>
<td>84.34</td>
<td>82.32</td>
</tr>
<tr>
<td>26. Vanaspati (000 Tonnes)</td>
<td>170</td>
<td>340</td>
<td>558</td>
<td>753</td>
<td>865</td>
<td>886</td>
</tr>
</tbody>
</table>
Index of industrial production has shown increasing trend. Taking 1970 as base year (100) index was 154.0 in 1980-81 which reached to 167.3 in 1981-82 and 173.8 in 1982-83.

There has also been tremendous rise in the production of small scale products. It produced goods worth ₹ 25,920 crores in 1981-82 which increased to ₹ 27,700 crores in 1982-83 and ₹ 30,415 crores in 1983-84. The small scale sector provided employment to 79 lakh persons in 1981-82 which rose to 84 lakh persons in 1982-83. Export from the sector rose to ₹ 2,350 crores in 1983-84.

Approach to the Subject

All aspects of the study of U.P. State Industrial Development Corporation is covered in eleven chapters. Chapter I deals with the philosophy and concept of industrialisation, development of the concept in India and south Asia, concept of decentralisation of industries, rural industrialisation and decentralisation, the concept of backwardness, criteria of identifying backwardness, historical development of industries in pre and post independence period and the purpose of the study. Chapter II analyses all the infrastructural facilities natural and man made and Government agencies which help in the industrial development of the State. Chapter III gives a

70. Ibid-1984
detailed information about the set up of U.P. State Industrial Development Corporation, aims and objectives for which it was established and study of the working of State Industrial Development Corporations in other States vis-a-vis U.P. State Industrial Development Corporation Limited. Chapter IV analyses and interprets promotional activities of the Corporation by dividing them into developmental and financial activities. Details of these activities such as area development, projects identification, procurement of letters of intents and setting up projects in joint/assisted sectors are covered. It also deals with financial assistance provided by the Corporation by way of underwriting of shares, equity participation and bridging loans. Chapter V examines resources of the Corporation, their sources and shares, debt equity ratio, capital employed and its investment in area development, private subsidiary and Government Companies.
Chapter VI deals with the organisational pattern of U.P. State Industrial Development Corporation, concept of organisation, machinery of coordination of the working of UPSIDC, role of Board of Directors, functions and powers of Managing Director, General Managers etc. Chapter VII makes a study of other State Level Industrial Promotional agencies which are directly and/or indirectly promoting industrialisation, of the State.
Chapter VIII covers incentives and facilities which are being provided by the Central and State Governments to small, medium and large scale industries coming up in backward areas. Various facilities such as capital subsidy, transport subsidy, supply of machinery and raw materials, concessions in getting power, sales tax exemptions, and other facilities and incentives have been dealt elaborately.

Chapter IX undertakes the analysis of methodology of project appraisal adopted by UPSIDC. It examines the principles and procedures of project appraisal and various aspects of project appraisal such as technical, economic, managerial and financial.

Chapter X critically examines all the activities - developmental and financial, their achievements and short falls covering all aspects separately such as acquisition of land, development of plots, and sheds, rates of charges for plots and sheds, projects developed, projects under construction and projects under various stages of construction. It also analyses physical achievement in financial assistance, their recovery etc.

Chapter XI which is the last and 'conclusion' chapter analyses, interprets and assesses the working of the Corporation since its inception, in 1961-62 to 1983-84, over all contribution of the Corporation as a catalyst to the industrial development of the State as a state level Financial Institution.
In the second part of this Chapter practical suggestions to remove the shortcomings and improve the working of the Corporation have been made for consideration by those who are responsible to formulate the policies and execute them for the rapid and sustained industrial development of the State.

Data available in Annual Reports of the Corporation (since inception) have been widely used in examining the working of the Corporation. Progress reports, brochures, proceedings of the Board meetings were also studied in arriving the conclusions and suggesting practical recommendations for the policy makers of the Corporation. Study Report on the working of State Industrial Development Corporations/State Industrial & Investment Corporations in the country prepared by IDBI, achievement of SIDCs and their future role published by IDBI and various other publications of IDBI such as Development Banking in India for various years, operational statistics of IDBI, issues of COSIDICI COURIER a monthly Bulletin of the Council of State Industrial Development and Investment Corporations of India, working Group Report of SSI Board, Planning Commission and various other journals such as Commerce, Lok Udyog, Political Weekly, Yojana, Kurukshetra, Economic Times, Financial Express, Times of India etc. were extensively and intensively consulted. Useful discussions were held also with knowledgeable persons attached with industries and the Corporation during the study.
Objective of the Study:

The State of Uttar Pradesh is one of the most backward States in the country. Government of India realised the need of rapid industrialisation and more and more emphasis was laid down on industrial planning and development since Second Five Year Plan period.

The lack of industries in different parts of the country is very often determined by the factors like availability of necessary raw materials or other natural resources. Also concentration of industries in certain areas has been due to infrastructural facilities such as power, water supply and transport facilities etc. One of the main aims of the National Planning is to ensure these facilities, in areas where these are lacking, for their balanced industrial development.

The Uttar Pradesh State Industrial Development Corporation was set up by the Government of Uttar Pradesh in March, 1961 as a catalyst for exploiting the resources of the State by setting up projects in Joint/assisted sector and helping other industrial units by providing developed plots, sheds and financial assistance by way of underwriting of shares, equity participation and bridging loans for advancing and promoting industrial development of Uttar Pradesh.

The purpose of the present study is to analyse and interpret, in the light of its achievements, as to how far it has helped industrial development and strengthened industrial
base of the State, its linkages with other sister corporations and financial institutions, whether such linkages tended to reduce technical dualism among them, its organisational pattern, methodology and techniques of projects appraisal, problems and prospects etc.

Main purposes of the study are summarised as under:

a) To study the role played by the Corporation in strengthening the industrial base of the State.
b) To assess its activities and achievements.
c) To analyse the linkages of the Corporation with other sister corporations and financial institutions.
d) To analyse the problems of the Corporation.
e) To consider the possibility of otherwise increasing scope of its activities for its further efficient functioning.
f) Others.

Thus the subject of the study is not only fascinating but also very much useful at the juncture when the planners of the country are directing all their efforts to eliminate regional economic imbalances and to reduce economic concentration by developing backward and undeveloped parts of the country.