CHAPTER ONE

INTRODUCTION
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INTRODUCTION

In the present day context, industrialisation has come to be regarded as synonymous with economic development. It is considered to be an effective means of achieving increased productivity, enlarged output as also a means of ensuring a high standard of living to the people. The global agencies of the eminence of UNIDO as also the Development Economists of the eminence of Rostow, W.W. (1960), Rosenstein Rodan (1964), and Gunner Myrdal (1971) treated industrialisation as a potential source of infusing the element of dynamism in productive activities. To quote UNIDO (1976):

"Industrialisation is a profused source of stimulating labour productivity. It is instrumental in bringing social transformation, social equity, higher level of employment, more equitable distribution of income and well balanced regional development."

According to Oleg Bogomolov¹, (1986):

Industrialisation is a resourceful tool of effecting socio-economic change. Diversion of resources, both physical and financial in industrial sector can break the shackles of poverty in underdeveloped countries. There is hardly any country in the world with the exception of New Zealand that could reach the level of per capita income of industrially advanced countries of the
world, drawing mainly upon its agriculture and processing of its products.”

Due to the factors such as the existence of greater capital intensity, continuity of production, greater specialisation and division of labour, less dependence on natural factors and a greater possibility of internal and external economies in the manufacturing sector, etc., are responsible for enhanced productivity in the industrial sector.

Outlining the significance of industrialisation and the economies of returns to scale Kuchhal, S.C.\(^2\) (1975) states:

“Industrialisation leads the economy to derive the benefits of both internal and external economies. Technological innovations prolong the scales to returns. It is a process in which scales and ranges of increasing and frequently prolonged and enlarged.”

Thus industrialisation indicates the impulses for cumulative expansion throughout the economic system. Indeed it is a means for recognition of all the branches of national economy on latest technological lines. But it has been the experience of several industrialised countries that the fruits of industrial development get confined to cities and metropolitan centres.

It is a fact beyond doubt that villages and small towns are the centres of backwardness. Unlike these, the urban centres being blessed
with adequate availability of money market, capital market, factor market, and commodity market offer fertile ground for flourishing industrial activities. It is, therefore, modern industries have grown urban-biased. They have developed an attitude of negligence towards villages and small towns. Consequently, the modern industrial societies are entangled with the problem of developed industrial enclaves surrounded by economically depressed agrarian centres opening the floodgates for the problem of regional disparities.

**REGION AND REGIONAL DISPARITIES – A CONCEPTUAL FRAMEWORK**

In general parlance the term 'region' refers to a geographic or a real unit having some limits and bounds. The unit may include a few villages or a few countries. So a region may consist of a real spatial organisation of different dimensions. According to Gopal, M.H.\(^3\), (1973) a region is considered,

"as operationally the most convenient and economically the most gainful spatial sectoral or/and temporal unit for resource allocation, taking planning as merely a process, growth as the economic result and welfare as the ultimate goal."

Thus Gopal's view of region is having practical relevance. According to Moore, H.E\(^4\), (1938),
"The regionalist sees the region as a unit, a microcosm of society, a set of factors combining to form a regional pattern and believes that these elements can be understood only when conceived as a part of the whole."

Thus the term ‘region’ refers to a specified area in which all parts have commonalty in economic structure, problems as also the interests. In the realm of economic planning, the term ‘region’ refers to an economic entity within a state.

Boudevile\(^5\) (1966) forwarded triple classification of regions. They are as follows:

1. **Homogenous Regions** - the regions which are close to natural regions of geographers.
2. **Polarised Regions** - the regions which represent polarisation in terms of population density.
3. **Planning Regions** - the regions which represent administrative areas.

Gunnar Myrdal (1978) has bifurcated the regions into:

1. **Congested Regions** - the regions which are overcrowded and have given rise to congestion cost;
2. **Depressed Regions** - the regions which are economically depressed due to absence of industrial ventures; and
3. Backward Regions - the regions where the inhabitants are mainly dependent on agriculture. The conduct of agrarian activities are on traditional basis. These are the regions with high incidence of poverty.

BALANCED REGIONAL DEVELOPMENT

The problem of designing the development of backward areas cannot be looked into in isolation. It should be integrated with general development programme. The objective of achieving balanced regional development demands optimal allocation and fuller utilisation of resources – physical, human and financial – without being bogged down to areas, sectors or occupations. The prime objective should be to secure the fullest possible utilisation of resources of each region so that it can contribute its best to the national pool and take its share from the benefits accruing from national development.

In the process of planning inter-linking of the term 'Balance' with 'Region' leads to a number of inter-relationships, such as:

a. needs – resources – returns;
b. geographical areas in themselves;
c. part of a country vis-a-vis other parts;
d. inter-sectoral or occupational;
e. temporal — the short, long and secular period needs and returns; and
f. employment versus growth and employment versus output.

Needless to say, mere generation of employment without corresponding economic growth would be an exercise of redistribution of income.

Thus balanced regional development means the fullest development of the potentialities of an area according to its capacity so that the benefits of overall economic growth are shared by the inhabitants of all the regions. Balanced development does not mean self-sufficiency of each region or each state. Neither does it mean equal level of industrialisation, nor a uniform economic pattern of each state. Rather it means wide-spread diffusion of industry to backward areas so far as it is economically feasible, the ultimate aim is to raise the living standards of the people in backward regions to those of the advanced. It may be through the development of agriculture, industry, trade or commerce.

REGIONAL DISPARITIES

It is a fact beyond doubt that a backward area is a direct off-shoot of our developmental effort. It has created regional disparities. In pursuance of achieving regional development, the planners locate large-scale industries in backward areas with a view to realising “trickle down effects” that could bring about all round prosperity of the region without assessing the costs and effectiveness in promoting over-all
development of the area concerned. It has been the experience of several countries that location of large-scale industries, which are primarily capital-intensive, their spread-effects is low. Consequently the surrounding areas have continued to remain backward leading to the widening regional disparities.

Removal of regional disparities has necessitated the introduction of regional planning.

REGIONAL PLANNING

Regional planning is the brain-child of Stalin. It is considered as a resourceful device counteracting the centripetal forces inherent in economic development tending to widen the disparities between different parts of a country. It is considered as a dependable means of accelerating a wide range of productive activities depending on the natural, human and capital resources, which are economically feasible.

In short, regional planning as an instrument of socio-economic transformation aims at balanced development of all regions and accelerate the tempo of productive activities in backward regions.

CHOICE OF LOCATION UNDER THE FRAMEWORK OF LOCATIONAL THEORIES

Scientific choice of industrial location is indeed a ticklish job. Since an ideal or optimum locational point is expected to give the lowest unit cost of production as well as distribution, therefore, choice
of location demands comprehensive thinking, a minute eye and a rationale decision on the part of entrepreneur. The choice of location is governed by a series of factors. Some of these are as follows:

1. the nature and type of business;
2. operating advantages; and
3. economy and profitability.

Beyond doubt, the problem of industrial location was a matter of curiosity to the economists of the eminence of Smith, Adam Mill, J.S., including Alfred Marshall but it was to the credit of Alfred Weber – a German economist (1929), to put the factors together in an attempt to formulate a deductive theory. Later on Sargent Florance (1972) presented the thesis in more objective terms followed by Richardson,6 H.W. (1976), Button, K.J.7 (1976), etc.

Alfred Weber8 (1929) confirmed that ‘Transportation cost’ and ‘Labour cost’ are the two regional factors having significant bearing on the location of industry.

The industry tends to localise at a place where transportation cost works out cheaper. If the raw material is expensive to carry than finished product, the location of the plant will be near the source of raw materials. If the finished product is more expensive to carry to the market, the place of production will be close to the market.
Analysing the raw materials, Weber stated that ubiquitous materials do not influence the location of industry. As against this, the localised materials, i.e., materials confined to certain regions like - manganese, bauxite, etc., exert considerable influence on the location of industry. Since certain materials are weight-losing and others coming into the bracket of non-weight losing, therefore, the industry will be located in the vicinity of weight-losing materials.

Weber has developed a mathematical formula which reads:

\[
\text{Location Material Index} = \frac{\text{Weight of Localised Material}}{\text{Weight of Finished Product}}
\]

If:

\[
\text{Material Index} \geq \text{unity}
\]

then material is gross, i.e., weight losing. In such cases, transportation cost is greatly reduced by establishing plant near the source of raw materials.

If:

\[
\text{Material Index} < \text{unity}
\]

\[
\text{The Market Pull} > \text{Material Pull}
\]

Then the plant is located near market.

In respect of labour cost, he confirmed that the plant would be located in cheap-labour areas. Further, skilled labour many a time is a localised factor exerting a pull on plant location. The Agglomerative
Factors, i.e., the external economies alternatively known as factors of concentration and Deglomerative Factors, i.e., the external diseconomies alternatively called the factors of dispersal are of secondary importance.

Sargant Florance⁹ (1972) vehemently criticised Weberian analysis. He forwarded inductive analysis in the form of statistical concepts, viz.,

a. Location Factor; and

b. Co-efficient of Localisation.

The Location Factor refers to an index of the degree of concentration of an industry in a particular region. It is as follows:

\[
\text{Location Factor} = \frac{\text{Total industrial population of a place}}{\text{Total industrial population of the country}}
\]

If:

1) \(\frac{\text{Total industrial population of a place}}{\text{Total industrial population of the country}} = \text{unity}\)

i.e., Location Factor = unity.

It implies that the industry is evenly distributed in the whole country.

2) \(\text{Location Factor} > \text{unity}\)

It implies that the region is over-crowded by industry.

3) \(\text{Location Factor} < \text{unity}\)

It implies that the region is not having sufficient share of industry.
The Co-efficient of Localisation indicates the propensity of an industry for concentration. The industries with high co-efficient like iron and steel show very little tendency to disperse. While industries with low co-efficient have greater propensity to disperse.

Richardson, H.W. (1976) in his thesis has emphasised on socio-psychological aspect of an entrepreneur. In his view, the psychological perceptions and the social relationship exert influence on locational decisions rather reasons.

Beyond doubt the locational theories propounded by Alfred Weber, Sargant Florance and others are indeed quite analytical and informative. They are most useful in studying the locational dynamics, but their relevance to the Indian conditions is of doubtful validity. These approaches have been developed on the plank of perfect competitive conditions which are hypothetical.

In addition to this, these theories have been designed keeping in view the free market conditions of western economies. The national economy of India which is primarily a land of villages and these villages lack basic infrastructural facilities, do not offer fertile ground for their implementation. Further these theories do not fully serve our social needs of distribution of industrial development.
INDUSTRIALLY BACKWARD REGIONS AND DEVELOPMENT STRATEGY

It is a fact beyond doubt that poverty anywhere is a threat everywhere. The economically depressed areas are the centres of high incidence of poverty, misery and helplessness. They are impeding the process of industrialisation. With a view to transforming the socio-economic map of these regions, the planners and policy-makers have designed several regional development strategies with a network of forward and backward linkages. The strategies encompass location incentives, growth centres, growth poles, etc. The scholars such as Friedmann and Weaver\(^\text{10}\) (1979) suggested these strategies to combat the malady of backwardness.

GROWTH POLES AND GROWTH CENTRES

"Growth pole" has emerged as a tool of economic and social transformation at the regional and sub-regional levels. It is a diffusion mechanism and is capable of producing far-reaching feedback effects.

The term poles *de croissance* (growth poles) was adopted by Perrous\(^\text{11}\) (1950) to refer to a focus of economic growth "from which centrifugal forces emanate and to which centripetal forces are attracted." He did not regard the pole as a real geographic location but rather a position in an n-dimensional, abstract economic space. These poles are dominant and privileged points containing a group of what he called 'propulsive firms or industries'. These propulsive firms or
industries are primarily capital-intensive large-scale units which are growth-intensive as well. They are the catalyst of change and create favourable environment for the rise and growth of ancillary units.

The growth centre policies constitute yet another approach to regional development. These policies aim at creating efficient organisation of public infrastructure.

With a view to tapping the resources of potential backward areas advantageously the state may undertake a step in setting up industry-based growth centres. It would not merely offset the agglomerative tendencies of private capital movement but would lead to the growth of tertiary sector.

INDUSTRIAL COMPLEX

According to Goryacheva\textsuperscript{12} (1981),

"an industrial complex is a ramified chain of a functionally inter-connected industries."

There will be a key industry to generate the forces of dynamic growth in the industrial complex. The concept of promotion of industrial complex for regional development coincides with Perroux's notion of Growth Poles. This view was held by Hirschman\textsuperscript{13} (1958), Hodge and Wong\textsuperscript{14} (1972), Czamanski\textsuperscript{15} (1976), Czamanski and Ablas\textsuperscript{16} (1979), Norcliffe\textsuperscript{17} (1979), Norcliffe and Kotseff\textsuperscript{18} (1980) and Lever\textsuperscript{19} (1980). The propulsive firms or industries with the characteristics of
industrial complex act as the channels of transmission of growth generating employment, output as also backward and forward linkages to tackle the problem of backwardness.

ECONOMICALLY DEVELOPED COUNTRIES AND THE DEVELOPMENT OF BACKWARD REGIONS

The problem of regional disparity is a universal problem. To quote Nanjundappa, D. M.^{20} (1997),

"The problem of regional imbalances is a universal problem. The successful planning of a regional economic development programme is one of the most difficult tasks facing the modern world. It is a problem shared by advanced industrial nations and those in earlier stages of development, and it exists in both capitalist and socialist systems."

Great Britain is the first country on the map of the world to have recognised the problem of regional disparities. The areas such as Central Scotland, North-East England, Northern Ireland, Yorkshire and South Wales were industrially depressed regions suffering from the problem of unemployment.

With a view to tackling these problems the Government adopted a number of remedial measures. Some of these measures are as follows:

1. An independent regional policy was adopted consisting of several checks and controls regarding concentration of industries.
2. The regional development policy came out with variety of subsidies and industries offering to the location of new projects in backward regions.

3. Subsidies were offered to plant and machinery, mining and building works, etc.

4. The new projects were offered with several fiscal concessions and incentives.

All such measures helped Great Britain to industrialise the backward regions.

Italy witnessed lop-sided development between its northern and southern regions. The north Italy registered rapid strides of progress due to the concentration of industries. Unlike this the southern Italy remained economically backward where agriculture was the chief occupation of the inhabitants.

With a view to championing the problem of industrial backwardness in southern regions, the Government introduced a comprehensive policy of subsidies and incentives. Some of these subsidies and incentives included:

1. extension of credit facilities on liberal terms;
2. investment subsidy up to 20 per cent;
3. subsidy of 30 per cent on cost of the industrial building;
4. a subsidy of 25 per cent on plant and equipment;
5. fiscal concessions;

6. compensation towards social security expenditures, etc.

Such remedial measures accelerated the tempo of industrial activities in southern region of Italy.

The economy of France experienced the problem of industrial concentration in Paris. The southern region remained industrially backward. To overcome the problem, the Government adopted industrial location policy dividing the entire economy into five zones. On priority basis each zone received fiscal concessions, investment subsidies, etc.

Conclusively the industrially developed economies did encounter the problem of regional imbalances in their process of industrialisation. However, these problems were overcome by crafting suitable policies of subsidies, incentives and industrial location and proper implementation of policy measures. (Please see Annexure-I).
References:


