

PART : I

INDIAN EXPERIENCE

REGIONAL DISPARITIES IN INDUSTRIAL DEVELOPMENT : EXPERIENCES OF INDIA AND CANADA.

PART : I INDIAN EXPERIENCE

INTRODUCTION :

The profound aspiration for balanced economic development in India calls for a desire to industrialize. True, industrialization pollutes the environment and strains society but uneven development or underdevelopment spoils idle mind causing tension and depression due to unemployment and poor purchasing power. However, both industrialization and uneven development are inevitable in the present state of affairs. The importance of industrialization as a means of achieving rapid growth and prosperity has all along been recognized by the Indian planners. It is also recognized that for a nation like India it is not only a means but also as a tool in reducing the disparities between the regions.

The problem of regional imbalance is universal. For instance, while the industrial revolution was changing England from agrarian to Industrial economy the inhabitants of many other parts of the world were still living under primitive conditions. However, once the 'take off' into industrial growth began regional policy became critical. Historically, the process of industrialization tends to be concentrated only in certain pockets. This kind of skewed distribution of industries in a country has serious economic, political, and social implications. Therefore, while when a need of industrialization is felt, emphasis on policy oriented towards balanced regional industrial development should be the ultimate imperative in a developing country like India.

Indian economy being in shackles for ages, posed many questions and challenges to economists and planners on the eve of independence. Economical backwardness and regional imbalance in industrial development loomed large. With a view to improving such situation a number of financial institutions and economic planning were set up which have been undoubtedly instrumental in bringing about many satisfactory changes in the economic field and have also duly espoused the problem of regional development.

In India, though the problem of regional industrial development (through incentives, subsidies and other policy instruments of the industrial dispersal policy) has remained vogue for more than two decades, no exclusive attempts have been made to assess the impact of this policy (of the government of India) on the pattern and structure of industrial development in industrially backward areas. Of course, some studies have been made by Dr. Godbole (1978), Dr. K V S Menon (1979), Tata Consultancy Service (1980), Dr. J.C. Sandesara (1982), Dr. K R G Nair (1982), Dr. H. Sadhak (1986) and Dr. K. Malhotra (1991).

Dr. Godbole (1978), primarily examines the effectiveness of the Industrial Location Policy of the Government of Maharashtra which disperse industries from Bombay to backward districts in the states. His main focus was on state of Maharashtra in general and the State Industrial Investment Corporation of Maharashtra (SICOM) in particular against the backdrop of theories of location. Though this is a significant attempt to study the comparative location costs in backward and developed regions, it does not consider the impact of incentives on industrial development in backward districts of Maharashtra.

Dr. Menon (1979) discusses subsidies and incentives introduced by the government of India (without touching the impact of incentives either on macro level or micro level development of industries). Though it is a pioneer work it does not care to examine the spread effects of the subsidies and incentives on the regional industrial development. Besides discussing in detail the basic ideas, he devotes one full chapter on the role of Industrial Development Bank of India (IDBI), IFCI, SFCs and State Industrial Development Corporations (SIDCs) in developing backward areas of the country.

Tata Consultancy Service (1980) conducted a study on the efficacy of industrial location policy of the Maharashtra government. This study examines the effects of location policy on the dispersal of industries from Bombay to three growth centres in Maharashtra. Nevertheless, in this study no attempt has been made to study the spread effects of industrial development in the growth centres.

Similarly, Dr Sandesara (1982) in his study evaluates the efficacy of incentives to promote small scale industries in four developed cities - Bombay, Bangalore, Hyderabad and Jaipur. As such this study has little to do with industrial development in backward areas. It confines the study to the impact of long term financial assistance of State Finance Corporations on the growth of small scale industries in those four cities.

From the above, it becomes quite clear that majority of the studies and surveys were conducted to assess the effectiveness of industrial dispersal policy of the government in highly industrially developed states like Maharashtra and particularly in backward districts of the state.

However, in 1982, Dr K R G Nair undertook a study to examine the manner in which inter-state disparities in the levels of living in India have changed during the process of economic development. In order to analyse the pattern of regional change, data on Net Domestic Production (NDP) in agriculture sector as well as industrial sector and the consumption at state level have been used. This is an excellent attempt of Dr Nair to assess critically the regional policy in India from the point of view of reduction of inter-state disparities in the levels of living. Though it is a detailed, systematic and highly analytical approach, it does not intend exclusively to analyse the problem of regional disparities in industrial development.

Dr Sadhak tries to assess the impact of incentives and subsidies with reference to the notified backward districts and developing districts in Maharashtra. He defines the problem of disparities in India as 'inter-state' and 'intra-state'. It also included a questionnaire-based detailed case-study of Aurangabad, a backward district of Maharashtra. As well it discusses the spread effect in terms of emerging pattern of linkages and growth of entrepreneurship.

Dr Malhotra (1991) evaluates the working and utilization of various central incentive schemes i.e. concessional finance, subsidies, etc. with reference to the industrialization in backward areas of Haryana. It also reviews the role of All-India development banks like IDBI, IFCI and ICICI as well as that of state level development banks like Haryana

State Industrial Development Bank and Haryana Financial Corporation in the development of industrially backward and non-backward districts of Haryana.

Therefore, this study has been made with a view to bridging the gap noticed in previous attempts. This work seeks to explore the basic relationship between Industrial Dispersal Programme and the changing pattern of industrial development of the industrially lagging regions. In its essence, this study addresses a key question as to what role the planning machinery of India has been playing to foster industrial development in the industrially backward regions. In brief, the main thrust of this study is to analyse the incentives and concessions as well as other policy instruments introduced under the industrial dispersal programme in order to uplift the industrially lagging regions. Thereby this work examines the spread effect of the policy implemented by the government of India.

The study is structured as follows.

Chapter - I reviews through the policy of Industrial Dispersal, the role of the planning machinery to promote industrialization to correct regional disparities in industrial development.

Chapter - II concentrates mainly on the role of the industrial location policy of the government of India with respect to the Central Public Enterprises and the role of the National Financial Institutions in promoting industrialization in backward areas. Thereby it intends to assess the concessional finance scheme introduced by the government of India in order to water down the finance impediment of the industrially backward areas.

Chapter - III highlights and evaluates the pattern of industrial development in various states. Through various indicators and ratios, it also attempts to assess the performance of the industrial dispersal policy in the form of the level of industrialization in industrially lagging regions over a period of time.

METHODOLOGY :

Towards the end of the Third Five Year Plan concentrated efforts were made by the government of India. Different years falling between 1969 and 1989-90 selected for comparative analysis are 1969, 1974-75, 1979-80, 1985-86 and 1987-88 as they mark the closing of the Annual plans, the Fourth, Fifth and Sixth Five Year Plans for all practical purposes. And because the data of Annual Survey of Industries (ASI), Summary Results for the factory sector are available upto 1987-88, therefore, the year 1987-88 is included in the comparative analysis. To make inferences more clear coefficient of correlation, rank correlation and specialization coefficient are used. Data on Central Public Enterprises are taken from the Annual Reports published by the Bureau of Central Public Enterprises, while the data on Industrial Finance sanctioned and disbursed are taken from the Annual Reports published by IDBI and Reports on the Development Banking also published by the IDBI. All through this study, state is taken as a unit of analysis.