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INTRODUCTION

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CHAPTER - I

INTRODUCTION

Industrialization is the pre-condition for achieving the object of rapid Economic Development of any country. In the modern age, we all agree that for the concrete, balanced and quick economic development of any country, industrialization is the only way. Industrialization is the back-bone of nations economic development. It is found that as the proportion of industrialization increases, the rate of economic development also increases. In this regard Prof. Gunner Myrdal said that, "The credit of achievement in tremendous economic development and highly standard of living in developed countries goes only to industrialization."[1]

Now-a-days a country can not survive and find an honourable position in the world without proper industrial achievement. The terms industrial development and economic development have a same meaning, but there is much more difference between these two connotation, while economic development is a generic term which covers all forms of economic activity that serve to further the development of a given political or spatial unit, but industrial development is more specific in its connotation and use. However modern economic development is so dependent on industrial development that, the distinction between the two terms is most often lost. In other words industrialization and economic development go hand and hand.

Industrialization has become dominant and unseparable part of development in a developing country. Economic development is nothing but always the out-come of industrial process. It is said that a undeveloped or underdeveloped country should give first priority to the development of industries to solve her problems of backward agriculture and big unemployment, because the establishment of industrial sector is easier than reformation of old. In this connection Nehru said, "Real progress must ultimately depend on industrialization."[3]

Many povery-stricken countries can find a solution to their problem of insecurity, low per capita income and over population through industrialization. There is a direct and positive connection between the wealth and standard of living of a country and the extent of its industrialization. Industrialization means a more self-sufficient economy, which likely to have greater stability than a one-crop economy.

In developing countries urban areas witnessed prosperity due to growth and development of industrial sector, while rural areas remained backward and stagnant due to lack of industrial progress. In a developing country like India, these 'urban' centres are very small in number & these limited urban centres are surrounded by the vast backward rural regions, which are known for terrible unemployment, low standard of living and existance of primary sector. To overcome these problems in rural sector, industrialization is the only way.

1.1 INDUSTRIAL DEVELOPMENT IN INDIA

Before the arrival of Britishers, India was industrially more advanced and famous as compared to the economies of the West European countries. For centuries she had been a large exporter of famous cotton and silk fabrics and other handicraft products, specially the sarees of Banaras, the muslin of Dacca, the calicoes of Bengal, shawls of Kashmir, Amritsar and Ludhiyana and other cotton fabrics were famous and demanded through out the world. India had also her artistic industries like morble-work, stone carving, jewellery, brass, copper and bell metal wares etc. However, the Britishers systematically destroyed the industrial base of India. The English East India Company recommended (March 1769) to its functionaries in Bengal that the production of raw silk should be encouraged for British industries to fulfill the need of raw material and of silk fabrics discouraged. Moreover silk winders should be forced to work in British company's factories and prohibited from working in their own houses. The British parliament imposed heavy duties of Indian goods into England other then raw materials. The duties on imports of muslin raised by 31 per cent and on calicoes by 78 percent. But the import of British manufactures into Calcutta paid only a duty of 25 percent. Another reason for the decay of indigenous industries was the industrial revolution in England, which took place during the period of 1750-1830. The machine made goods began to compete with the products of Indian industries and handicrafts. British products were cheaper and superior to Indian products. So Indian industries could not compet with British products. In this British rules Indian industries destroyed by importing heavy duties, restrictions on their product and by and giving facilities to British products only.

1.2 RISE OF MODERN INDUSTRY :

The modern industrial enterprise in India developed after 1850. However there had been the increasing penetration of British private enterprise and capital in banking, insurance, indigo plantation, steamships, coal mines, tea & coffee plantation before it. Till the middle of the 19th century the Europeans took very little interest in factory industry in India. It might have been due to the restriction placed on Englishmen for acquiring land permanantly in India, the trading monopoly of the Company till 1833 and the lack of internal communications. But after 1875 the progress of factory industries in India began in real sease. In a span of 25 years there were 51 cotton mills and 18 jute mills. During the same period India produced one million tonnes of coal per annum and Indian railways had a mileage of 8,000. By the end of the 19th century there were 194 cotton mills and 36 jute mills. Coal production increased to over 6 million tons per annum.

Some incidences and forces helped the Industrial evolution of India up to First World War i.e.the destruction of capitalistic urban handicraft and village artisan's industry, which transformed India into a single economic unit. The development of great mercantile centres such as Bombay, Ahmedabad, Hooghly & Kanpur helped the growth of industrial evolution. Bombay and Ahmedabad with their cotton mills. Hooghly banks with its jute mills. Kanpur with its woolen and leather factories, the introduction of English language in 1835 in the educational system helped in the training of a large number of young Indians in modern scientific subjects which were necessary for obtaining the technical knowledge required for industries and also in business organization and management on Western lines; the abolish of monopoly of the East India Company in 1933 provided a big opportunity for English merchants to develop trade and industry in India, the improvement of oceanic & inland transport system encouraged the establishment of factories in the country and the progress of industrial enterprise was more influenced by the political development in India and abroad. For example, the American Civil War gave a great impetus to the cotton textile industry, the Crimean War to the jute industry and First World War to the iron and steel industry. Moreover Swadeshi Movement inspired the countrymen for their industrial development.

However the industrial progress of India was not satisfactory up to First World War because India was a country supporting only about 2% of her population by factory industry. Comparative to First World War the demand for industrial goods in India increased enormously in Second World War. Specially large exports of clothe to Africa, the Middle East and Austrelia. Many new industries and plants started, i.e. ferro-alloys such as ferro-silicon and ferromanganese, non-ferrous metals and metal fabricating industries such as copper, coppers sheets, wire and cables, mechanical industries such as diesel engines, pumps, sewing machines, machine tools and cutting tools, chemical industries like caustic soda, chlorine, superphosphates, photographic chemicals & biochromates.

On the other hand the old industries like paper, cotton textiles, iron & steel, paper,cement & sugar expanded enormously. Between 1937 to 1946 the cement industry's production capacity increased from 1.5 to 2.5 million tonnes and provided employment to over 21,800 employees, while paper industries output registered as 1,06,000 tonnes. The cotton textile industry's output increased by nearly about 20 percent and employment by nearly 30 percent. The sugar industry raised its domestic production from 1 million tons in 1938-39 to 1-2 million tons by 1943-44. In short Second World War become bone for the growth of Indian industrial progress. During the period of 1939 to 1945 the overall industrial output increased by 20 percent and employment by 103 percent.

However,the partition of the country in 1947 gave a big blow to industrial development. India got 77 percent of the total area of the undivided country with 82 percent of the total population. India received a relatively larger share of the urban population and a disproportionaly larger share of the manufacturing industries such as jute and cotton textile mills. On the otherside Pakistan got a lion's share of the raw materials fed into these industries, important producing centres of raw juts and cotton were left in East and West Pakistan respectively. So supply of cotton to textile Mills in India decreased. Moreover a plenty of migration of skilled labour took place from India to Pakistan. India lost large market for many products of Indian industries such as glass, ceramics, cotton textiles, enamel, wire, footwear etc. Some industries like hosiery, soap, silk & woollen textiles were adversely affected because of the partition of the country. So, at the time of Independence, India inherited a weak industrial base, underdeveloped infrastructural facilities and a stagnant economy. Specially the Indian government had to face the problem of raw materials, transport bottlenecks, backlog of equipment replacement and labour unrest. To remove these costrains in industrial development, the Govts. of India firstly called An Industries Conference in December, 1947. The conference was attended by the representatives of the Central and Provincial governments, industrialists and labour. To create and ensure better relations between management and employees, a tripartite agreement was entered into which provided for three year industrial truce between the management and labourers. To help industrial development, the government granted certain tax concessions to industry in 1948-49 and passed the Bill to establish the Industrial Finance Corporation of India. The Industrial Policy Resolution was also passed in 1948. These factors had a favourable impact on industrial development. So industrial out-put (base 1946 = 100) increased by 17.4 percent over the period of 1946 to 1951.

1.3 INDUSTRIAL DEVELOPMENT DURING THE PLANNING PERIOD

In the First Five Year Plan emphasis and importance was given to the agriculture sector only. So obviously the first plan was not important from the point of view of industrial development. Moreover resources were not available for industrial development. However the production of the consumer goods confined largely. i.e. Cloths, Sugar, Salt, leather goods and paper, Industries manufacturing intermediate products like coal, cement, steel power, alcohol, non ferrous metals, chemicals etc. were also established but their production was small compare to demand and requirements. Industrial development in the private sector was satisfactory because out of total investment Rs. 293 crores, private investment amounted to Rs. 233 crores. But some importance projects were started in public sector. For example Hindustan Shipyard, Hindustan Machine tools, Sindri Fertiliser Factory, Hindustan Antibiotics, Hindustan cables, Hindustan Insecticide Integral Coach Factory, U.P. Government cement factory and NEPA Mills. The industrial production during this First Plan increased by 38 percent. This increase is considerable.

The Second Five Year Plan is known as industrial development plan based on Mahalanobis model, this plan set out the task of establishing basis and capital goods industries on a large scale so that a strong base for industrial development in the future could be built. Rs. 1570 crores were spent or the Second Five Year Plan. Out of which 720 crores on the public sector and Rs. 8,50 crores in the private sector. Three steel plants with a capacity of one million tonne each were set up in the public sector at Bhilai, Rourkela and Durgapur.

However industries did not succeed to achieve planed targets. Those were iron & steel, furtilisers, paper machinery cement, heavy castings and forgings, aluminum newsprint, raw films chemical pulp, soda ash, dyestuff, caustic soda, etc. But the public sector started its crucial role in filling up the gaps in industrial structure through its participation in iron and steel, lignite, fertilizers, railway locomotive coaches, machine tools, heavy electricals, buildings, antibiotics etc. To reduce regional imbalance,the programme of dispersed of industries was implemented in the Second Five Years Plan.

The major objective of the Third Five Year Plan was to expand basic capital & producer industries like steel, chemicals, fuel and power and establish machine building capacity so that the growth of the economy in the subsequent plans could become self-sustaining. The role of public and private sectors was conceived as complementary. However the key role in industrial development programme was assigned for the pubic sector. Out of total Rs. 2,720 crores, Rs. 1,520 crores were spent on the public sector and Rs. 1,200 crores in the private sector.

Unfortunately targets in many important industries could not be fulfilled. So the index of industrial production could increase by only 41.8 percent in 1965-66 over the level in 1960-61; against the target of 70 percent. Industries unable to achieve targets were mining machinery; paper machinery, fertilizers, sulfuric acid, newsprint,stainless steel,steel ingots, commercial vehicles, sugar, machinery, agricultural tractors, caustic soda, woolen fabrics etc. However, production of electric machinery increased by 71 percent & non-electrical machinery by 82 percent. Reasons for less satisfactory growth during the Third Plan were the Wars with China in 1962 and Pakistan in 1965, which diverted funds towards defence expenditure, shortages in the infrastructural field of transport and power, droghts for three years which diverted resources for the import of food stuffs, inflationary pressures and the suspension of foreign credit in 1966.

During the animal plans (1966-67 to 1968-69) the industrial progress was not so good insgpite of Rs. 1575 crores investment in public sector and Rs. 580 crores in private sector. Industrial output failed by 0.2 percent in 1967 and by 0.5 percent in 1968. Reasons were droghts in 1966-67 which caused short supply of agriculture raw materials and slackness of demand for a number of capital goods and consumer goods industries. Trade Unions Gheraoes and strikes and inadequate Foreign exchange allotments for importing equipment and industrial raw materials.

The proposed total investment for the public and private sector was Rs. 5338 crores but the actual investment was Rs. 4056 crores, which was less above 24 percent. During this period the target for increase in industrial production was kept at 8 to 10 percent but it increased only by 3.9 percent. The performance of the basic industries and capital goods industries was very disappointing. A lot of factors were responsible for the sluggish growth in the industrial sector i.e. i) reduction in demand, ii) shortage of basic raw materials, iii) labour troubles, iv) traffic problem which adversely affected the bulk industries like coal, cement, steel, limestone, iron ore, manganese etc. v) production of many industries reduced due to irregular and shortage of coal and power, vi) low level of capacity utilization in a number of industries and failure in capacity creation.

The Fifth Five Year Plan aimed with specific mention of achieving the other socio-economic objectives of diffusion of ownership, maximisation of employment, dispursed growth of industries and upgradation of scientific and technological capabilities. This was to be accomplished by i) providing encouragement to village and small scale industries by reserving the future development of 124 industries exclusively to this sector and by promoting the growth of ancillary industries, ii) development of industrially backward areas, iii) application of science and technology to industrial development.

Out of Rs. 39322 crores for public sector, Rs. 10,209 crores spent on industries and minerals sector. However the actual an average rate of growth of industrial production was 5.2 percent against 7 percent. The performance of industrial growth was unsatisfactory except the year 1976. In this year, the basic goods industries, capital goods industries and consumer goods industries registered a growth of 14.3 percent, 10.5 percent and

10.2 percent respectively against an average rate of growth for all industries as 9.9 percent over 1975.

In the Sixth Five Year Plan Rs. 13,479 crores had been spent in the Central sector and Rs. 1741 crores by States and Union Territories. The target for industrial growth was kept at 7 percent but it was achieved only 5.5 percent some basic industries as steel, cement, non-ferrous metals, fertilizers and certain other industries including textiles, jute manufactures, sugar, drugs and pharmaceuticals, commercial vehicles and railway wagons faced shortfalls in production. The reasons of this slow industrial growth were shortage of power, labour unrest, insufficient demand in the case of textiles, raw materials shortages in the case of jute manufactures, scarcity of coking coal in the case of steel and inadequate availability of the appropriate quality of steel in the case of a number of steel using industries. However a few industries like machine tools, passenger cars, motor-cycles and scooters, consumer electronics and communication equipment succeeded in their targets mere then expectation.

1.4 INDUSTRIAL POLICY & INDUSTRIAL PROGRESS

Under the British rule, all industrial base of Indian economy had been collapsed, when India became Independent in 1947, she had a lot of problems in economic development, specially in industrial sector the problem of shortage of raw materials, deficiency of capital, transport bottlenecks, backlog of equipment replacement and labour unrest etc. Moreover the investors were not sure about the industrial policy of the new national government.

To overcome these problems, from time to time, congress Government announced Industrial Policies in 1948, 1956, 1973. From Second Five Year Plan much more emphasis was given to Industrial progress. Many basic capital goods industries were set up. Such as iron & steel, cement, fertilizer, lignite, railway locomotives and coaches, machine tools, heavy electricals, antibiotics etc. Upto Forth Five Year Plan Government of India inrested total Rs. 9,934crores both in public & private sector for industrialization.

But industrial growth was unsatisfactory. There were large gaps between targets and achievements. For example, while the targeted rate of growth in industrial sector was 8-10 percent in the Forth Plan, but the achievement was only 3.9 percent. Further in the Fifth Plan the target was 7 percent, but the actual rate of industrial growth was 5.9 percent. Moreover while the target was 7 percent per annum in the Sixth Plan, but the rate of growth was only 5.5 percent.

Industrial sector failed to generate sufficient employment opportunities in the country so the number of unemployment increased in every five year plan.

Table No. 1.1

UNEMPLOYMENT POSITION IN FIVE YEAR PLAN

Period of Planning		Number of unemployment (Millions)
First Plan	1951 - 55	5.3
Second Plan	1956 - 60	7.1
Third Plan	1961 - 65	9.6
Three annual plan	1966 - 68	12.2
Forth Plan	1969-74	14.0

Source : Reserve Bank of India Bulletin Dec. 1969.

During the planning period, large and small-scale industries in India concentrated in urban areas only. So the problems of unlimited growth of cities, scarcity of essential things, dirty colonies, pollution and creation of slum etc. arised. But the rural area, which is vast in comparison to urban area remained undeveloped and backward due to lack of industrialisation. Therefore, the problem of unemployment in rural sector increased at large. These unemployed people are working on agriculture without adding any production. So 20% disguised unemployment increased in agriculture sector. The Government industrial policies & concentration of industries in urban areas only has created concentration of economic power and wealth in a few houses. Upto 1963-64, Tata and Birla were only two houses, those total assets were exceeding Rs. 200 crores each. The Tatas were the biggest having total assets worth Rs. 375 crores and Birlas had total assets worth Rs. 283 crores.

Industrial policies issued by Congress Government in 1948, 1956 & 1993 were only favourable for large scale industries and specially for a few houses. It caused to create unemployment at large. It helped to grow the distance of economic disequalibrium between urban & rural. Announcement of facilities and development of small and cottage industries remained on paper only. Big industrialists in private sector earned a lot of profit with the help of public financial institutes and the policy of protected market. Decentralization of industries was taking place at very poor rate. In the last twenty years the rate of industrial production did not accelerate more than 3% to 4% per annum. The problem of industrial sickness had been becoming serious day-by-day. The ratio of real investment was stagnent. So per capita national income did not increased sufficiently. Finally result was that the rate of economic growth could not increase per annum more than 3% to 4%.

When Janata Government came into power in 1977,on the above background it issued a new statement of Industrial Policy on 23rd December, 1977. In its agenda much more emphasis was given on the development of small scale and cottage industries specially in rural area. The production of 807 commodities kept reserve for small scale & cottage industries. Sufficient financial facilities declared. For better development of small scale and cottage industries, in every district, the establishment of District Industries Centre announced.

The District Industries Centre will concentrate all its attention on the development of small scale & cottage industries. It will also provide all sort of assistance and service. There will be a separate section in District Industries Centre to satisfy the needs of small scale and cottage industries.

1.5 RESEARCH FRAMEWORK

1.5.1 PREFACE :

To create equal & balanced regional industrial development and employment opportunities at large in rural areas, decentralization of industry is necessary. For the rapid economic development of India, from the Second Five Year Plan much more emphasis was given on industrialization, but up to 1977 all planning programme & industrial policies declared by the Government were suitable and beneficial to large-scale industries, particular class of society and developed urban areas, so there was enormous regional backwordness & inbalance inthe rural industrial development.

A underdeveloped country like India who is facing the problems of scarcity of capital, huge unemployment, economic disequilibrium and low rate of economic development must give maximum preference and scope to small scale, village and cottage industries, specially in rural area.

On the above background the concept of District Industries Centre introduced by Janata Government in its industrial policy statement of December, 1977, with views of generating large employment, accelerating the industrial growth in rural sector, reducing regional imbalance and improving productivity and income of industrial workers through a wide dispersal of small scale and cottage industries. District is the centre point of industrial development for small scale village and cottage industries. The intention of starting 'District Industries Centre' is to get all sort of economic assistance and services under one roof.Actually this programme was initiated on May, 1st 1979. In Solapur District, "District Industries Centre" have been started in 1979 with a view of making industrial progerss & development of this backward area. However the progress & development of Solapur district is not satisfactory compare to Pune & Bombay.

D.I.C.; Solapur has provided all kinds of aid through its various schemes to Barsi taluka in its industrial development. But still Barsi taluka is not industrially developed in rural area. It remained backward. So question arises why this taluka remained backward ? what are the reasons ? what efforts have been taken by D.I.C. Solapur for the industrial development of Barsi taluka ? Are these sufficient measures? To study and answer these questions, we have selected this subject for investigation. The assessment can be done through empirical studies. It is a case study of industrial development of Barsi Taluka through D.I.C. Solapur.

1.5.2 OBJECTIVES OF THE STUDY :

1) To take briefly review of industrial development in Barsi taluka & Barsi town.

2) To study the establishment & administrative set-up of District Industries Centre.

3) To take review of various schemes implemented by D.I.C.

4) To identify the creation of self-employment in Barsi taluka through D.I.C., Solapur.

5) To assess the performance and critically evaluation of D.I.C. Solapur regarding Barsi taluka.

1.5.3 HYPOTHESIS :

District Industries Centre helps in the industrial development of backward regions and rural areas. It provides all types of services and facilities to entrepreneurs at one place. The D.I.C. plays a very vital and contributory role in developing small-scale, village and cottage industries in the tiny sector. However its performance and progress depend upon political policies,financial aid from commercial banks, response of the people and administrative officer of D.I.C.

1.5.4 METHODOLOGY :

In order to study the working and performance of D.I.C., Solapur we collected primary as well as secondary data i.e. books periodicals and Govt. publication etc. we purposively selected to study D.I.C's. Rural Industries Margins Money Scheme through which it provides finance to small scale and village industries for the industrial development. We interviewed 50 entrepreneurs for this study.

The statistical data is collected from the office of D.I.C. Solapur, Collector office, Solapur, District statistical office, Solapur, Barsi taluka Udyog Vikas co-operative society ltd., Barshi, Barsi Municipality, Bank of India (Lead bank of Solapur District), Solapur Chamber of Commerce and Industries, Zilla Parishad Office, Barsi Tahsil office, Employment Exchange office, Taluka Panchayat Committee, Barsi.

1.5.5 SCOPE AND LIMITATIONS OF STUDY :

The scope of the study is limited upto Barsi taluka and Barsi town. This study is limited for five year period i.e. 1989-90 to 1993-94. Other limitations are as below :

1) Non-working units are excluded for the purpose of analysis though they are observed and mentioned.
2) PMRY scheme started from 1993. So for study only one year data is taken.

1.5.6 SCHEME OF STUDY :

The study of this research work has been presented in six chapters, which are as below.

Chapter First deals with introduction objectives, hypothesis, scope & limitations of research methodology, which is used for the investigation of the study. Second chapter reveals the industrial and other development of barsi taluka.

Chapter Third is related with the concept of DIC & its administrative set-up. Chapter Forth gives the information of different schemes of D.I.C.

Chapter Fifth is related with the data collection and analysis & sixth chapter covers the findings & suggestions.