

A Study of Problems And Its Impact on Industrial Sector in India

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Abstract:

Government of India aims to achieve 25 percent GDP share & 100 million new jobs in the Industrial sector. Industrial sector is very important to provide job for ever increasing job in India, but Industrial sector in India suffering from various issues, though government come with up various policies like make in India, but it need to address core problems as discussed above, then only Industrial sector in India will grow at the required rate & will provide job for ever increasing job force. Industrial industry in India has gone through various phases of development over the period of time. This paper analyses the problems faced by the Industrial sector in India. This paper finds that the impact of problems on growth and development of Industrial sector in India.

Key words: Industrial Sector, causes of sickness, industrial problems & suggestion etc.

Introduction:

Industrial is emerging as an integral pillar in the country's economic growth. In today's competitive world, the industrial companies are the biggest driver of growth in India. Industrial sector has been a significant contributor to the Indian economy. Keeping in mind the Government of India is investing a lot of funds in building a strong network of roads, railways and transport to foster the growth of Industrial sector. Prime minister of India Mr. Narendra Modi had launched the make in India program to place India on the world map as an Industrial had & give global recognition to the Indian economy the main objective of this paper is to know problems of Industrial sector in India. Some suggestions are also given in this paper to change for the improvement in the development of industries in India. Research work helps to focus attention on Industrial areas. It also helps to have an overall better planning and management.

Objectives of The Study:

1. To find out study the role & importance in industrial sector in India
2. To study the main problems of industrial sector in India
3. To study the major issue & suggestion in industrial sector in India

Research Methodology:

The present paper is based on secondary source of data. The secondary data is also collected from various reference books, national, international

published research journal, magazines, annual reports, newspaper related to net internet websites, etc.

Role of Industrial Development in Economic Growth:

1. Modernization of Industry: Industrial development is necessary for modernization of agriculture. In India, agriculture is traditional and backward. The cost of production is high and productivity is low. We need tractors, threshers, pump sets and harvesters to modernize agriculture. To increase productivity, we need chemical fertilizers, pesticides etc. and weedicides etc. Without industrial development, these goods cannot be produced. Agricultural products like jute, cotton, sugarcane etc. are raw materials. To prepare finished products like flex, textiles and sugar etc. we need industrialization.

2. Development of Science and Technology: Industrial development encourages the development of science and technology. The industrial enterprises conduct research and develop new products. Ethanol in the form of bio-fuel is an example of industrial development. Industry conducts research on its wastes and develops byproducts like biodiesel from Jatropha seeds. Due to industrialization, we have made progress in atomic science, satellite communication and missiles etc.

3. Capital Formation: Acute deficiency of capital is the main problem of Indian economy. In agricultural sector, the surplus is small. Its mobilization is also very difficult. In large scale industries, the surplus is very high. By using external and internal economies, industry can get higher profit. These profits can be

reinvested for expansion and development. So industrialization helps in capital formation.

4. Industrialization and Urbanization: Urbanization succeeds industrialization. Industrialization in a particular region brings growth of transport and communication. Schools, colleges, technical institutions, banking and health facilities are established near industrial base. Rourkela was dense forest but now is ultra modern town in Orissa. Many ancillary units have been established after setting up of big industry.

5.Importance in International Trade: Industrialization plays an important role in the promotion of trade. The advanced nations gain in trade than countries who are industrially backward.. While industrial products command higher values & their demand is inelastic. This causes trade gap. To meet the deficit in balance of payments we have to produce import substitute products or go for export promotion through industrial development.

8.Alleviation of Poverty and Unemployment: Poverty and unemployment can be eradicated quickly through rapid industrialization. It has occurred in industrially advanced countries like Japan. The slow growth of industrial sector is responsible for widespread poverty and mass unemployment. So with fast growth of industrial sector, surplus labour from villages can be put into use in industry.

9. Main Sector of Economic Development: Industry is viewed as leading sector to economic development. We can have economies of scale by applying advanced technology and division of labour and scientific management. So production and employment will increase rapidly. This will bring economic growth and capital formation.

Industrial Development & Regulation Act-1951

The act gave complete authority to the government. This resulted in the bureaucracy extending complete control over the industrialization of the country.

1. They controlled the authorization of capability, whereabouts and growth of any request for manufacture of new products.
2. They controlled the authorization of foreign exchange expenditure on the import of plant and machinery.
3. They controlled the authorization for the terms of international joint ventures.

Industrial Policy In -1956

In 1956 a new policy for industrialization was initiated. All basic industries and sensitive industries in India were under the purview of public sector enterprises and were called as category a type

of industries. In category B, industries were a joint venture of both public and private enterprises. The remaining industries came under category C, to be under the control of private initiative. The policy of 1956 for the first time recognized the contribution of small scale industries in the growth of the Indian economy. It laid stress on rational distribution of national income and effective utilization of resources.

Monopolies Commission-1964

The Government of India appointed a monopolies inquiry commission to study the presence and outcomes of concentration of economic power in private sector. The commission observed the presence of monopolistic and restrictive practices in certain key sectors of the economy. The commission recommended the setting up of the Monopolies and Restrictive Trade Practices Commission.

FERA Amendment-1973

The Foreign Exchange and Regulation Act was amended in 1973.This resulted in a tremendous shift in the foreign investment policy of the Government of India. Foreign Investment was allowed in only those industries that were directly into exports.

Restrictions were placed on foreign investments. International companies could hold a maximum of 40% equity. But some industries in the field of advanced technology were given permission for 51% foreign capital.

Industrial Policy -1973

The policy listed out the various appendixes 1 industry that could be started by large business houses so that small industries were not driven out of business. The establishment of small and medium industries was encouraged.

Private industries were encouraged to set up production units in rural areas and in backward areas with a vision to give thrust for the economic development of those areas.

Industrial Policy -1977

The focus of this industrial policy was judicious promotion of small scale and cottage industries. The idea of District Industries Centre's was introduced for the first time. Small industries were encouraged to set up base in rural areas away from the big cities.

Industrial Policy In -1980

The first step towards liberalization was taken up in the 1980's.The government took corrective steps to vitiate the licensing system and encourage private entrepreneurs.

Industrialization Post -1990

1. 2. Foreign equity investment was allowed up to 40%.
2. Exemption from licensing for all start ups and for those with an investment worth of Rs 2.5 cores in fixed assets and a right to import up to 30% of the total value of plant and machinery.
3. Geographical restrictions and investment cap for small industries were removed.

At the time of liberalization the Indian industries were not competitive in the global scenario. They could not face the stiff competition from the foreign industries; hence many industries sold

CAUSES OF SICKNESS IN SMALL SCALE INDUSTRY:

The different types of industrial sickness in Small Scale Industry (SSI) fall under two important categories. They are as follows:

Internal causes for sickness:

We can say pertaining to the factors which are within the control of management. This sickness arises due to internal disorder in the areas justified as following:

1. Lack of Finance: This including weak equity base, poor utilization of assets, inefficient working capital management, absence of costing & pricing, absence of planning and budgeting and inappropriate utilization or diversion of funds.
2. Bad Production Policies: Another very important reason for sickness is wrong selection of site which is related to production, inappropriate plant & machinery, bad maintenance of Plant & Machinery, lack of quality control, lack of standard research & development and so on.
3. Marketing and Sickness: This is another part which always affects the health of any sector as well as SSI. This including wrong demand forecasting, selection of inappropriate product mix, absence of product planning, wrong market research methods, and bad sales promotions.
4. Inappropriate Personnel Management: Another internal reason for the sickness of SSIs is inappropriate personnel management policies which includes bad wages and salary administration, bad labour relations, lack of behavioral approach causes dissatisfaction among the employees and workers.
5. Ineffective Corporate Management: Another reason for the sickness of SSIs is ineffective or bad corporate management which includes improper corporate planning, lack of integrity in top management, lack of coordination and control etc.

External causes for sickness:

1. **Marketing Constraints:** The second cause for the sickness is related to marketing. The sickness arrives due to liberal licensing policies, restraint of purchase by bulk purchasers, changes in global marketing scenario, excessive tax policies by govt. and market recession.
2. **Production Constraints:** This is another reason for the sickness which comes under external cause of sickness. This arises due to shortage of power, fuel and high prices, import-export restrictions.
3. **Personnel Constraint:** The first for most important reason for the sickness of small scale industries are non availability of skilled labour or manpower wages disparity in similar industry and general labour invested in the area.
4. **Finance Constraints:** Another external cause for the sickness of SSIs is lack of finance. This arises due to credit restrains policy, delay in disbursement of loan by govt., unfavorable investments, fear of nationalization.

Top Performing Sectors of Indian Economy:

The adoption of the New Economic Policy in 1991 saw a landmark shift in the Indian economy, as it ended the mixed economy model and license raj system - and opened the Indian economy to the world. An overview of the top performing sectors of the Indian economy is given below –

1.Agricultural Sector:

One of the most important sectors of the Indian economy remains Agriculture. Its share in the GDP of the country has declined and is currently at 14%. However, more than 50% of the total population of the country is still dependent on agriculture. Keeping this in mind, the Union Budget 2017 - 18 gave high priority to the agricultural sector and aimed to double farmers’ incomes by 2022.

1. Government subsidies to agriculture are at an all - time high.
2. Further, cropping patterns have shifted in favour of cash crops such as sugarcane and rubber.
3. Introduction of cooperative farming like e - choupal etc.
4. Rise of SHGs such as LijjatPapad.
5. Agricultural land is being brought under industrial and commercial use, thereby straining the remaining agricultural land.
6. Many export sectors have been opened for agricultural goods.
7. Food processing is emerging as a ‘Sunrise Industry’.

2. Industrial Sector:

Another important part of the Indian economy is the Industry sector. Changes such as the end of the ‘Permit Raj’ and opening up of the economy were welcomed in the country with great enthusiasm and optimism. As a result of these changes, the industrial potential of the economy has increased since 1991.

- Proliferation of industries, from traditional iron and steel to jute and automobiles.
- Autonomy in production, marketing and distribution.
- Reduced red - tapism.
- Encouragement to private investments, both domestic as well as FDI.
- Transfer of technology and benefits of research and development to the advantage of the economy.
- Arrival of investment models such as joint ventures, public-private partnerships, MNCs.
- Private players got an opportunity to enter new sectors, which were earlier under government monopoly.

The Industrial sector is the second largest contributor to India’s GDP after the Services sector. Various government initiatives like Make in India, MUDRA, Sagarmala, Startup India, Freight Corridors, along with a whole - hearted contribution from states, will raise the share of the Industrial sector in the foreseeable future. However, if India aims to raise its share of Industrial in GDP to around 25%, the industry will have to significantly step up its research and development expenditure. The quantum of value addition has to be increased at all levels and the government needs to offer attractive remuneration to motivate people to join the Industrial sector.

3.Services Sector:

The sector that benefited most from the New Economic Policy was the services sector. Banking, Finance, Business Process Outsourcing - and most importantly Information Technology services - have seen double - digit growth.

- Indian IT giants such as Infosys, WIPRO and TCS have made their mark on the global platform.
- 60 percent of the GDP contribution comes from the services sector.
- India, with its huge demographic dividend potential, has emerged as the IT hub of the world.
- New employment opportunities are being created in this sector.

- Opening of transportation, tourism and medical sectors have led to the growth of service sector competencies.
- RBI has transitioned from being a regulator to a facilitator.
- Product diversity of financial investments.
- Wider penetration of services such as insurance, banking, stock market etc.
- Considerable improvement in forex reserves.

4. Food Processing:

Food processing has emerged as a high - growth, high - profit sector and is one of the focus sectors of the ‘Make in India’ initiative. The vast availability of raw materials, resources, favorable policy measures and numerous incentives have led India to be considered as a key attractive market for the sector. With a population of 1.3 ban and an average age of 29, as well as a rapidly growing middle - class population that spends a high proportion of their disposable income on food, India boasts of a large consumer base. The total consumption of the food and beverage segment in India is expected to increase from \$ 369 ban to \$ 1.14 ten by 2025. The output of the food processing sector (at market prices) is expected to increase to \$ 958 ban during the same period. India is the second largest producer of food grains in the world, second only to China. This sector has huge potential in India due to increasing urbanization, income levels and a high preference for packaged and processed food. Visit the sectors category to read more about the food processing industry.

Opportunities And Challenges In The Industrial Sector:-

Industrial is the efficient use of machines, tools, and labours to produce things for sale or use. This concept is mostly applicable to industrial production where raw materials are processed into finished goods on large scale. Indian Industry mainly focused on services instead of Industrial. The base of Industrial is determined by the various factors and productivity is the leader. The productivity of Indian Industrial industry is not more when we compare it with other international sectors. Greater Noida, Nasik, Mumbai, Aurangabad, Bangalore are the main hubs of Industrial in India.

Benefits of Industrial Sector in India:

Make in India Campaign: Because of this campaign, Indian Government is giving lots of attention and high priority to Industrial industry including sufficient investment and development.

High Quality Production:

Most of the Indian manufacturers use high-quality machines and tools to produce good quality

products. Many Indian industries are well known for the care and trustworthy for their work and business deals. Unlike China, India does not carry the stigma of poor quality production.

Availability of labour and Cheap Labour Cost:

As compare to China, labour cost is very cheap in India. India has a huge number of labours who are skilled as well as unskilled. The Skilled educated workers like researcher, engineers are able to contribute cost-effective development support to Industrial operations.

Domestic Market: Due to attractive domestic market, India can easily enter into in-country Industrial operations.

CHALLENGES OF INDUSTRIAL IN INDIA:-

Power availability: The major challenge in Indian Industrial is Low power availability. Due to unavailability of power 24 hours per day, there is decrease in productivity and efficiency, and lower output rates.

Labour Productivity: Labour productivity is lesser in India than many competing countries. This is because of lag in supply chain management, transportation, production planning, and maintenance.

Intellectual Property Protection and Enforcement: IP protection and enforcement is an expensive and high risk in India. Another challenge with IP rights in India is that India is currently going through some significant IP reforms, which make things more complex and, at least for now, uncertain.

Cost and Fragmentation of Transportation and Logistics: Transportation is very costly and slow in India. It can take long delivery time to get products to the coasts from some places in India. Furthermore, logistics are inferior. The positive point is that the Indian government notices this problem in infrastructure and is working to resolve it.

INDUSTRIALIZATION IN INDIA: PROBLEMS AND OBSTACLES:

The following are some of the major problems and obstacles that are being faced in the process of industrialization of the country:

- 1. Poor Capital Formation:** Poor rate of capital formation is considered as one of the major constraint which has been responsible for slow rate of industrial growth in India.
- 2. Lack of Infrastructural Facilities:** India is still backward in respect of its infrastructural facilities and it is an important impediment towards the industrialization of the country. Thus in the absence of proper transportation (rail and road)

and communication facilities in many parts of the country, industrial development could not be attained in those regions in spite of having huge development potentialities in those areas.

3. Poor Performance of the Agricultural Sector:

Industrial development in India is very dependent on the performance of the agricultural sector. Thus, the poor performance of the agricultural sector resulting from natural factors is also another important factor responsible for industrial stagnation in the country. Agriculture provides not only raw materials and foodstuffs but also generates demand for the goods produced by the industrial sector. Thus, this poor performance of the agriculture retards the development of industries in India.

4. Gaps between Targets and Achievements:

In the entire period of planning excepting 1980s, industrial sector could not achieve its overall targets. During the first Three Plans, against the target of 7, 10.5 and 10.7 per cent industrial growth rate, the actual achievements were 6, 7.2, and 9 per cent respectively. Since the Third Plan onwards, the gap between the targets and achievements widened.

5. Dearth of Skilled and Efficient Personnel:

The country has been facing the problem of dearth of technical and efficient personnel required for the industrial development of the country. In the absence of properly trained and skilled personnel, it has become very difficult to handle such highly sophisticated computerized machineries necessary for industrial development of the country.

6. Poor Performance of the Public Sector:

In spite of attaining a substantial expansion during the planning period, the performance of public sector enterprises remained all along very poor. A good number of such enterprises are incurring huge losses regularly due to its faulty pricing policy and lack of proper management necessitating huge budgetary provision every year. Thus, the public sector investment failed to generate required surpluses necessary for further investment in industrial sector of the country.

7. Regional Imbalances:

Concentration of industrial development into some few states has raised another problem of imbalances in industrial development of the country. Western region comprising Maharashtra and Gujarat attained maximum industrial development whereas the plight, of the poor states are continuously being neglected in the process of industrialization of the country in spite of having a huge development potential of their own.

8. Regime of State Controls: Lastly, industrial inefficiencies resulting in perpetuation of regional state controls and regulatory mechanism are standing in the path of industrialization of the country. In recent years, the Government has undertaken some serious measures to make necessary economic reforms in the industrial structure of both the public as well as private sectors of the country.

Although these measures are quite challenging in nature but these are expected to do much headway in removing various obstacles mentioned above and also in attaining industrial development of the country further in the years to come.

SUGGESTIONS FOR INDUSTRIALIZATION IN INDIA:

Industrial Development in Developing Countries:

In developed countries there are several favorable conditions for Industrial Development, but in poor and developing countries there are several problems in its development. Even after some significant developments in the field of Industrialization in India, the country is still agricultural country and 38% of the national income and 70% of the population depends on the land.

1. Suppression of Industrial Disputes: A child working in an auto-parts unit, making wheels for automobiles. Poor economic growth, along with staggering food prices and a slowdown in industrial production, leaves the RBI baffled, while civilians live hand-to-mouth and struggle to make ends meet. It is completely true that a satisfied labor is a valuable wealth of an organization. A satisfactory and efficient system of arbitration of Industrial disputes is very necessary. Through the Industrial Disputes Act, 1947 efforts are made to establish Industrial peace but it is insufficient. Efforts should be made to popularize the Group Discussion method. The policy of worker's participation in management should be strictly followed. The reasons for the disputes should be analyzed impartially and methods should be developed accordingly for their solution.

2. Development of Research and Technology: In developed countries, continuous research is done on industrial problems and production processes etc. New avenues of development are explored through research on scientific and technical subjects. Now work has been started on this subject here also.

3. Skill Development: Implementing fair labour policies, improving working condition and providing adequate salary is necessary. The Government of India must invest in skill development programmes

to ensure employees or workers are equipped with necessary skill and abilities.

4. Proper Use of Natural Resources: India has sufficient natural resources but due to their improper use industrial development has not been done. Thus, for industrial development proper use of natural resources is necessary. Those areas should be explored where possibilities of industrial development are more.

5. Establishment of Specialized Institutions: Much importance has been paid to establishment of specialized organizations and institutions to provide steadiness to industrial development. Various institutions are established in several states for the development of special Industries, but various other organizations are required in relation to this.

6. Infrastructure improvement: Modernizing transport facilities, power reforms and smart water management is essential for the infrastructural development in India.

7. Efficient System of Industrial Management: Educated and skilled managers are required to run the industrial organizations properly, who are able to understand the complicated problems of industrialization and solve them quickly.

8. Encourage Capital Formation: For industrial development funds are very necessary, though India completely lacks it. Thus, savings should be encouraged more for capital formation.

9. Environment Sustainability: Environmentally practices such as, recycling, using renewable resources will mitigate environmental damage. The Government of India should ensure that industries comply with environmental regulations and impose strict action.

10. Earnings in Foreign Exchange: India lacks funds completely. Thus, to establish Industries in India, foreign investors should be attracted. For this, government should provide them better facilities. In this way, new industries would be established, unemployment would be eliminated and foreign exchange be earned.

Conclusions:

Industrial sector is plays a vital role in the industrial Development of the Country. Infrastructure improvement, promoting technical advancement, environment sustainability and skill development helps in over all development of industrial sector in India. We can see that Indian Industrial sector development very fast in current situation, but not equal to another countries , so you can say that it's good time for India because most of the developed country wants to establish own plant in India.

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