cultivated area.

③ Growth of Service Sector:

There was a significant increase in govt exp on all services in 1980's. The consumptn pattern of the service class is less food ~~ovr~~ intensive & more oriented towards durable consumer goods. Therefore the consumptn pattern of effective demand in 1980's changes in favour of consumer durable goods.

④ The infrastructure factor: There was a marked resurgence in infrastructure investment in 1980s. As against only 4.2 %. p-annum in (1965-66) the investment increased to 18.3 %.p.a (in 1986-87). Acc to ~~allu~~ ahluwalia, this revival of investment in the infrastructure sector in the 1980 was also accompanied with a discernible improvement ~~of~~ on the efficiency front.

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Thus from the above discussion we can conclude that due to the lack of privatisation & the govt policies of ~~restricting private~~ keeping heavy industries under private sector was one of the main cause of downfall of industrial growth rate. ~~Further~~ The prevailing system of industrial licensing was subject to corruption which ~~so~~ further intensified the declining trend. Also the industrial sector lacked modernization and use of ~~k~~ new technology ~~and~~ & instead depended mainly on manual labour which caused efficiency losses during 1960-75. Such factor were responsible for restricting the growth of industries during this period of 11 yrs.

Causes of Industrial Recovery in 1980's are:

① New Industrial Policy & liberal fiscal regime:-

This ~~so~~ policy ~~law~~ were responsible for removing ~~bar~~ domestic barrier to entry & expansion ~~to~~ which inturn promoted compation among the domestic industries by simplifying the procedure & providing easier access to better technology and raw material import etc. Those factor operating from the supply side were helped by the pursuit of ~~eth~~ liberal fiscal regime. The imp features of liberal fiscal regime are:-

① Maintance of high budgetary deficit year after year.

② Resort to massive borrowing often at high interest rates

③ encouragement of dissaving.

All this aspect of liberal fiscal regime helped to expand the demand for manufactured goods in the economy. Thus ~~libe~~ while liberal fiscal regime helped in generating demand for manufactured goods, liberal industrial & trade policy ensured that an adequate 'supply response' was forth coming.

② Contribution of Agri Sector:

Acc to some economist t increased prosperity of large farmers in certain region of the country helped in creating additional-demand for industrial goods. The rural sector demand for non agri consumer products rose considerably from 35%. (1967-68) to 47%. in (1983)

There was a spurt in demand for a certain range of manufactured goods due to increase in the use of manufactured input per unit ~~to~~ of

T.N. Srinivasan & N.S.S Narayan argued that there was a considerable ~~slacking of re~~ slackening of real investment during this period of 11 years in the public sector & this brought the growth rate of industrial sector down. Some other economist were of the view that decline of public investment was followed by decline of private investment & this ~~was to bring &~~ which intensified the decline in Industrial growth rate.

Eminent ~~Some~~ economist such as Deepak Nayyar, K.N. Raj etc pointed out the relatnshp betw income distribution, the demand factor & industrial growth. They pointed out that the market for industrial goods are accessible to a limited 10% of the population due to extreme inequalities of income & wealth. ~~The~~ Once the demand of this limited 10% are saturated, there exists no further scope for expansion of demand. This limits the demand for consumptn good & in turn, the demand for machinery and capital goods are hampered in subsequent stages. Others were of the opinion that the low rate of industrial growth was caused by faulty industrial policy, complex bureaucratic system of licensing etc.

Causes of Slowdown of Industry -

The period from 1965 - 1976 & was marked by a sharp deceleration in industrial growth. The growth rate fell from 9% per annum to 4.1 percent per annum over this 11 years.

Causes:

Several explanation were offered for the phenomenon of ~~decle~~ deceleration & retro gression in the industrial sector during 1965-71. The govt was of the view that exogenous factor such as war 1965 & 1971; drought condn in some year, infrastructure constraints ~~& too~~ & oil crisis of 1973 were responsible for slowdown of growth.

K.N. Raj argued that the low growth in the agri sector accounted for the slowdown of industrial growth by restricting supply of raw materials on one hand & constraining the demand for industrial good on the other hand.

MRTP Act: Under the MRTP Act, all firms with assets above size of Rs 100 crore were classified as MRTP firms. MRTP firms have to take government approval for each decision say increase in investment, expansion of capacity, acquisition and merger etc.

The new industrial Policy scorapped the Rs 100 crore to limit of assets in defining MRTP firms companies with asset of more than Rs 100 crore will now be at par with others and will now be required to take prior approval from the government for investment in the delicensed industries.

Licensing Policy: The system of Industrial licensing was adopted in India to give effect to the IPR 1948. Since then, the system has continued to operate, and modifications have been introduced in it from time to time.

System and objectives of licensing: An Industrial license is an important instrument of state policy. A license is a written permission from the government to an industrial unit to manufacture goods specified in the permission letter. A license to run an industry also specifies such particulars as the locations of the plants, goods to be produced, the capacity of the unit, period within which the industrial capacity is to be established etc.

The Prime objective of the licensing system is to give effect to the industrial policy of the government. Any structural change in industrial policy will call for a corresponding change in the objectives of Industrial licensing.

(i) Endowment Constraints : Some Public enterprises are suffering from endowment constraints as the selection of sites of these enterprises where done on political considerations rather than on rational considerations

(ii) Underutilization of capacity : This had been mainly due to the reasons such as long gestation period, inadequate motivation, lack of initiatives and obsolescence of product mix.

(iii) Government interference : Much government interference had reduced the degree of autonomy of the managements in respect of employment pricing and purchase etc.

(iv) Heavy social cost : Public enterprises in India are suffering from heavy social costs. Such as outlays on townships and alive provision of annuities to its employees.

(v) Operational and Managerial inadequacies and inefficiencies in the Public sector enterprises leading to huge wastages and leakages of funds.

(vi) External factors : Workers lacking sincerity and devotion to their job too much trade unionism, Union rivalries and labour troubles are also disrupting the smooth functioning of Public enterprises.

(vii) Technological gap : Public enterprises could not adopt up-to date technologies in their production system leading to high unit cost and lower yield.

Role of Public sector in India:

The Public sector was assigned an important role in India's planned economic development. The following are some of the important roles of the Public sector in the economic development of a country like India:-

(i) Promoting Economic development at a rapid pace by filling gaps in the industrial structure.

(ii) Promoting adequate infrastructural ~~facili~~ facilities for the growth of the economy.

(iii) Undertaking Economic activity in those strategically significant developmental areas where private sector may disort the spirit of national objectives.

(iv) Checking monopolies and concentration of power in the hands of a few.

(v) Promoting balanced regional development and diversifying natural resources and other infrastructural facilities in those less developed areas of the country.

(vi) Reducing the disparities in the distribution of Income & Wealth by bridging the gap between the rich and the poor.

(vii) Controlling the sensitive sectors such as distribution system, controlling the scarce imported goods rationally etc.

(viii) Reducing the pressure of BOP by promoting exports and reducing imports.

Problems of Public sector in India: The Public enterprise in India are faced with the following major problems which are mainly responsible for those loss incurring Public sector in the country enterprises in the Public sector which was 5 in 1951 with an investment of Rs 29 crores, as on March 31st 2007, there were 247 crore public sector enterprises with an investment of Rs 421089 crore

** Policy Reforms in Public Sector / Policy measures introduced by the govt.

In view of many ill affecting the working of the Public sector enterprises a number of reforms have been introduced to make it more efficient and competitive). The government strategy in the content of public sector continues to be judicious mix of policies that aim at strengthening the strategic industrial units, privatising ther non-strategic ones through gradual disinvestment and sale and devicing viable re-habilitation for the weak units.

The New Industrial Policy, July 1991, apart from reducing the area of exclusively reserved for the Public sector from 17 to 4 industries has also initiated the following reforms:-

(i) The government has delegated enhanced financial and operational powers to the Navaratna, Minisatna and other profit making public sector enterprises.

(ii) Besides professionalising the board of directors of CPSEs, the government has issued guide lines on corporate governance.

(iii) The Board of Re-construction of Public sector enterprises (BRPSE) has been established to advice the government on revival of sick and loss making enterprises.

New Industrial Policy 1991:

Making a sharp departure from the IPR 1956, the government announced a new industrial policy on July 24, 1991. The basic philosophy of the new policy has been summed up as 'Continuity with change'.

Objectives:

(i) To consolidate the strengths built up during the last 4 decades of economic planning and to build on the gains already made.

(ii) To correct the distortions or weaknesses that may have crept in the industrial structure as it has developed over the last four decades.

Rivival during 1980's

The industrial scene underwent a change with the onset of the 1980's Industrial growth rates moved up during this period, and the stagnation which characterised the earlier period could be overcome. The major factors that contributed this 'turn around' can briefly be summarised as follows :-

(i) Liberalisation of Industrial Policy ; the process began in early 1980's and caught up since 1985.

(ii) Public investment which played a crucial role in determining the growth of ~~industry~~ Indian industry had been at a much higher level during the 1980's than in 1970's.

(iii) Increased investment in industry is corroborated by the dramatic rise in imports of capital goods in the 1980's

(iv) Rapid investment in industry was facilitated by what has come to be known as "Liberal fiscal regime". The most significant feature of such a regime is the maintainance of high budgetary deficits year after year. A second feature is the resort to massive borrowing, often at high interest rates etc. The 1980's especially the second half, witnessed all these phenomena

Growth & stagnation of Industrial sector in the 60's.

Industrial growth was rapid during the first two decades, specially the first two decades, specially during the second plan and the third plan. The high rates of industrial growth witnessed during the period were due to -

(i) the emphasis on industrialisation in economic policies

(ii) the heavy industry oriented strategy of industrialisation, and the ~~pursuite~~ pursuit of Industrial growth as a supreme objective in the industrial policy and planning.

(iii) Substantial investment made and the capacities created in Industrial sector.

(iv) Growing demands for a variety of new products.

(v) A pace of economic expansion by an unusual combination of domestic saving and inflows of resources from abroad.

Slowdown Phase : (Causes)

Prof I.J. Ahluwalia, identifies four factors which contributed to Industrial stagnation after mid 60's -

(i) Slow down of agricultural incomes ~~and their incomes~~ and their effect on limiting the demand for industrial goods.

(ii) The slow down in Public investment after the mid 60's with its particular impacts on the infrastructural investments

(iii) Poor management of the infrastructure sector, leading to severe infrastructure constraints

(iv) Industrial Policy frameworks including both domestic industrial policies and trade policies and their effects on creating a high cost industrial structure in the economy.

1. Early growth Phase of Industrialisation in India.

The entire period since 50's be divided into five distinct sub periods : first, lasting till 1965-66, and the second following these from and lasting till the end of 1970's. The late 1970's and 1980's show the beginning of a new phase. Another recent phase covers the three year period 1991-94. with the onset of 1994-95, we entered the current phase of growth.

The first phase is characterised by a fast rate of industrial growth whereas the second is known as the 'structural-retrogression of Indian economy'. The third sub period witnessed a ~~sivio~~ revival of Industrial growth whereas the fourth one had been marked by stagnation. The current phase in anticipated to be that of rapid growth, although it came up against the road blocks right at the beginning in 1996-97.