

The industrial development in India since independence

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Abstract- *In the post-independence period, the industrial sector has been crucial to the growth of India's economy. The 1948 industrial policy resolution marked a significant breakthrough, and although subsequent reforms were introduced, the most transformative changes have occurred since 1991. These changes, which included liberalizing and deregulating the industrial sector, were driven by economic necessities but made possible through political processes. Economic activities are inherently tied to political requirements, necessitating appropriate political conditions at both state and local levels. This paper investigates the various stages of industrial development in India, emphasizing the political influences that shaped each phase. By viewing these developments through a political lens, we can gain a deeper understanding of the complexities and the ongoing nature of industrial growth in India. The study highlights that industrial development is a dynamic process influenced by numerous political, economic, and social factors, rather than just a series of policy decisions.*

Keywords: *industrial policy, economic reforms, neoliberal, economic development*

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INTRODUCTION

Few states in the contemporary world do not strive for modernity. The era when rulers were indifferent to the out date aspect of societies they governed is nearly over . Modern leaders, from both longstanding states and newer states in Asia and Africa, recognize the necessity of policies that bring them into the fold of modernity. " They often face resistance from politically engaged citizens who feel these policies are insufficiently modern. Many traditionalists argue that a genuine and stable modernity can only be achieved by preserving the core of older traditions." [1].

Development is a dynamic concept, constantly evolving due to competing forces. This aligns with the trends observed in India's industrial development. Development can be seen as a continuous process, an activity, or an event, with a rich history of discourse. In this developmental process, politics plays a crucial role, and it can be said that politics is a fundamental aspect of development discussions. On the eve of independence, India's economic condition was worse than ever. Development growth, was marginalized and the country was struggling to come out of poverty and starvation. Per-capita income was low; majority people were even unable to sustain themselves. Sources of sustenance were few, and maximum percentage of the population was dependent on agriculture and its sub-sectors. Primarily being an agriculture-dominated

country, it was impossible for the government to transform it overnight and look into all possible dimensions of development. Development and growth of any nation are based on three main sectors, i.e., primary sector (agriculture), secondary sector (industrial) and tertiary sector (service). So it was clear to the nation builder(s) that without the development of secondary and tertiary sector the growth of a newly formed economy is next to impossible [2].

It is also implying the argument that new states are all rather far down on the list which rank countries according to their per capita income. However, there are exceptions, such as in West Africa and Malaysia, where development processes are more traditional. Nonetheless, the elites of these new states are generally committed to economic development. " For them, "modern" implies being sovereign, democratic, egalitarian, economically developed, and scientific. They focus on discovering more and better resources, enhancing resource processing efficiency, and accumulating capital through savings, heavy taxation, capital levies, and foreign investments, loans, and gifts. Their objectives are varied, with many aiming to improve their people's living standards. They believe that for a country to be considered modern and significant globally, it must be industrialized, rationalized, and 'economically advanced" [3].

POLITICS OF INDUSTRIAL DEVELOPMENT

Phase 1: Politics of industrial foundation development.

"Advocates of modernity argue that no country can be considered modern without economic progress and advancement." To be economically dynamic, it is essential to have an economy rooted in should be discarded to gratify the country needs of social and economic growth and development. "This period saw a clash of ideologies: Jawaharlal Nehru aimed to make India self-reliant through technical advancements, while nationalists inspired by Gandhian philosophy sought to develop a self-sufficient nation by enhancing agricultural practices to bolster village economies. These differing approaches presented challenges to nation-building"^[1].

"Aware of global history and geography, Jawaharlal Nehru recognized that industrialization was essential for transitioning India from an underdeveloped to a developed nation. He planned significant investments in the industrial sector, underscored by the establishment of the first industrial policy in 1948." By the completion of the first Five Year Plan, the adoption of a socialistic framework became central to India's social and economic policies. Consequently, the 1956 second industrial resolution succeeded the 1948 policy resolution. Simultaneously, the Community Development Program, rooted in Gandhian principles, was launched in 1954. These years were pivotal in establishing India's industrial and social infrastructure^[2].

Prior to 1947, the colonial economy saw growth primarily in jute and cotton industries within specific regions. Post-Independence, in 1956, the government initiated the establishment of a steel plant, marking a significant step forward. Examining the government's five-year plans from that period reveals a focus on achieving national self-reliance and resilience. The government prioritized public-private partnerships and implemented decisive measures to foster national development. The initial Five Year Plan focused primarily on agriculture, while the second plan aimed to drive industrialization. The government secured substantial foreign loans to boost exports and diversify industries. Post-independence, the 1948 Industrial Policy Resolution was introduced to facilitate industrial development. The first Five Year Plan saw the establishment of key industries such as HMT and Chitranjan Locomotive in Uttar Pradesh cement industry, Indian cables, and Indian telephone, DDT and penicillin factories. The second Five Year Plan led to the creation of steel plants in Bhilai, Durgapur, and Rourkela. These initiatives were grounded in the Harrod-Domar model and the Nehru-Mahalanobis model respectively^[3].

Phase 2: Politics of industrial development before neoliberal era.

This highlighted the classification and approach towards industrial growth and development before the

ne liberal era. Historical investment patterns often deviated from optimal paths, influenced by flaws in private investment processes, governmental policies, and wartime impacts. Business progression trends historically deviated from optimal patterns due to instabilities and wars, leading to growth paths different from the intended optima. Despite this, the economic history of emerging societies is shaped by their efforts to approximate these optimal sectorial paths^[1].

The degradation in industrial growth due to external factors like the wars with China and Pakistan in 1961 and 1966 highlighted the direct impact of conflict on the national economy. This adverse effect was evident during the third Five Year Plan, which saw a lack of government initiatives for industrial development. Additionally, when the Janata Dal came to power, they did not implement a Five Year Plan in 1966. During the 'plan holidays' from 1966 to 1969, the government introduced annual plans, criticizing the previous Congress administration's FYP strategies and advocating for industrial development. During these three years, the government shifted its focus back to agriculture rather than industry, making farming the central aspect of its strategy and capacity-building efforts. The political struggle for power appeared to overshadow the focus on industrial development. As post-development theorist John Replay suggested, "The true aim of development is not human improvement, but human control and domination.. "Integrating more people into the formal sector is crucial for a nation-state to consolidate its authority". Many authors argue that post-World War industrialization became a new means of establishing hegemony. During this time, Western countries began promoting comprehensive development of other nation. Post-development theorists assert that the goal of development is closely tied to modernization, which involves extending the control of the Western world and its nationalist allies over developing countries

Development projects primarily aim to integrate previously autonomous into the power structure of nation states thereby consolidating the power of modernizing elites, improvements in living standard resulting from these projects are secondary, sometimes incidental, to the main goal of establishing hegemony^[2].

Significant changes in the industrial sector occurred after Congress regained power in 1970, with the 5th Five Year Plan focusing on developing core and primary Industries for the first time, the government discussed balanced development and the advancement of modern technology. Additionally, the government linked poverty reduction with industrialization, a connection emphasized during Indira Gandhi's administration can be seen in speech of 1971 Stockholm Agreement, she remarked that 'poverty is a persistent cause of environmental degradation, and until we address poverty as a pressing issue, we cannot protect our environment'. Subsequently, poverty eradication

became the central focus of government initiatives. Efforts were made to build capacity within industries to boost productivity of goods and services. New industries were established, and a modern workforce was introduced. Capital goods industries became the focal point of government action. In the pursuit of development and poverty eradication, the government often overlooked environmental concerns, despite knowing the industrial impact on the environment. This is evident in the Sixth and Seventh Five Year Plans. The neglect of environmental issues can be rationalized by recognizing the emergence of environmental groups as a significant political force, introducing innovative protest methods and radical ecological ideologies." The mainstream environmental movement's institutionalization suggests a continuation of established political behaviors. While hard to measure, the environmental change has significantly impacted standard-setting, discourse shaping, and policy influence. The ongoing marginalization of ecological concerns by policy elites has led to discontent and disappointment within the movement. The future effectiveness of the environmental movement hinges on its ability to address the transnational agenda linked to the internationalization of environmental politics [3].

Phase 3: Politics of industrial development in the neoliberal era.

The politics of industrial development in the neoliberal era, marked India's liberalization period. Policies focused on liberalizing licensing and procedures to attract foreign investments and technology agreements. The public sector enterprises and the Monopolies and Restricted Trade Practices (MRTP) were introduced. Public sector enterprises and the Monopolies and Restricted Trade Practices (MRTP) Act were introduced [1].

Despite previous government involvement in industrial growth and production, several challenges hindered industrial development, such as inadequate infrastructure, restrictive labor laws, low technology adoption, minimal R&D expenditure, and complex business processes and clearances. Researchers have described the Indian industrial system as plagued by 'red tape,' attributing industrial failures to the government's socialist economic ideology [2].

With this approach, the government restricted the economy's freedom to play a decisive role in development activities. While numerous industrial policies existed, they failed to address developmental issues efficiently and effectively. Therefore, it can be argued that the government's primary concern during this phase was the efficiency and effectiveness that had been lacking in earlier phases [3].

Reviewing pre-1991 policies reveal deficiencies such as underutilization of capacities, concentration of economic power, corruption prompted by licensing, discrimination, application process delays, and increased regional imbalances. Consequently, the

government had no option but to embrace industrial liberalization to focus on development [4].

Other economic reasons include the balance of payments crisis, the license permit quota system, and the need to free the industrial sector from administrative and legal controls to increase efficiency and competitiveness. The government recognized that isolated development was insufficient and decided on stringent actions for more inclusive and comprehensive development, addressing gaps in earlier industrial policies, and aiming for global competitiveness through globalization [5].

Some development thinkers argue that contemporary globalization is not significantly different from globalization during the imperial regime, except that it is now led by the United States rather than England. but this time by United States of America. They contend that following the Western countries' model will not yield fruitful results. Consequently, efforts were made to encourage developing countries to reconsider their policies influenced by Western monopolies [6].

During this period, the Narasimha Rao government took rational steps to change economic policies and accelerate national growth, continuing the efforts of previous governments. neoliberal policy was adopted, significantly minimizing government control over the industrial sector. This neoliberal era began with the Eighth Five Year Plan, based on the Manmohan-Narasimha model [7].

Transitioning from a mixed economy to a neoliberal economic model, leading to substantial changes in India's development economics alongside promoting structural change, economic growth, and development, India aims to enhance the potential of the population through public and private channels. Following the 1991 neo-industrial policy, there was a significant reduction in the government's role. Only eight public sector units were under government control. Industrial licensing remained compulsory for 18 industries, with only three—atomic energy, minerals, and railways—under exclusive government control. This policy was considered both public sector-oriented and labor-centric [8].

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Significant divestment occurred in Public Sector Units (PSUs), and struggling units were referred to the board for Industrial Industrial & Financial Reconstruction (BIFR). This policy positively impacted the industrial sector, leading to increased production, reduced bureaucratic hurdles, enhanced competition, improved public sector efficiency, increased foreign direct investment, higher exports, balanced regional development, and reduced economic burden on the government^[11].

Phase 4: Politics of industrial development in neoliberal crisis

During the neoliberal crisis was seen by some development thinkers as having inherent drawbacks. They argued that neoliberals and developmentalists appeared to share similar ideals. Though Neoliberal industrial policy brought some positive changes in the current economic framework simultaneously, it has its drawbacks. The negative impact of neoliberal policy could be analyzed after a period. The concentration of economic power, increase in unemployment, no change on the productivity, ignorance of social objectives, distortion of production structure, i.e., a decline in the growth of capital goods industries, adverse effect on small-scale industries, the danger of business colonization and a huge increase in regional imbalances^[1].

Since India was not the only country, who followed neoliberalism instead it was a worldwide phenomenon. So the impact of neoliberal based policies was much global which led to the neoliberal crisis. The Economic depression that occurred in 2008 is the testimony to the fact that neoliberalism has to evolve itself systematically time to time. Some development thinker argued that there is no difference between neoliberalism and developmentalism. They had raised some questions about the current ideology and also argued about alternative development. Thus, the evolution of alternative development occur which talks about an alternative to the development and post-development without criticizing them. Therefore, alternative development is nothing but the critique of development that argued in favor of holistic development by including every kind of developmental ideology after purification^[2].

Jan Nederveen Pieterse a professor at the University of California who specializes in globalization and development studies, explains that *"While much alternative development thinking makes a diffuse impression, this has gradually been making room for a sharper and more assertive positioning as a result of several trends."* These different trends generate

various lines of tension. One line of friction runs between the general alternative development preoccupation with local and endogenous development and, while simultaneously addressing the increasing call for global alternatives. Another line of friction runs between diffuse alternative development and alternative development paradigm; former implies a soft and the latter a hard boundary with mainstream development, and intellectual openness and closure. These tensions find expression in more or less subtle differences among alternative development position^[3].

Till 2006, India's Gross Domestic Product (GDP) growth was so captivating that everyone was showing gratitude towards an economic policy which came in 1991. In 2008 the financial crises affected the whole globe. The sector which was primarily affected by 2008 crisis was 'industrial sector' In India, Government 11th and 12th FYP is a testimony to the fact how government gradually brought changes in the economic structure after the depression period. The ruling India a Global manufacturing hub. Therefore huge changes brought up by the government to cope up with degradation of the industrial sector to make it once again an excellent sector in India by government and the Reserve Bank of India (RBI) took forceful measures suddenly relaxing monetary policy and announcing a fiscal stimulus to increase domestic demand^[4].

CONCLUSION

It can be securely said that the initial phase of reforms focused on establishing institution for macroeconomic stabilization and structural adjustments. The second phase reforms aimed at liberalization and privatization. The progress of Indian economy since independence is remarkable the transformation since 1980 has surprised most observers. The economists around the world are hopeful that the Indian economy will come as the third largest economy in the world sometimes in the mid of 2030s. India is already in third place for estimated gross domestic product (GDP) based on purchasing power parity (PPP). The neoliberal reforms liberalized the Indian economy and foreign investment in most sectors is allowed up to 100 percent under automatic route; only a few sectors require government approval. Recent research indicates that points 2003-04, India experienced a significant acceleration in economic growth due to political ground work made by past legacies. This support the view that economic reforms were not sudden in 1991 but were foreseen by pro-business initiatives set by prime ministers in the 1980s. Contrary to common belief for India's economic growth was 1980-81, not the early 1990s. As things standpoint, all leading political party in India supports the agenda of economic reforms. Even if one considers that reform in 1991 was driven by global economic obligations, it was the political process that made this happens. There is a rising sense that India's reform agenda is being motivated

by an ethos of success, rather than by the politics of anxiety or compulsion.

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