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Introduction

Nations of world are having combination of three producing sectors like agriculture, industry and service sector. In which industry is one of the important producing sector therefore it has special importance in each economy. Except petroleum exporting country Saudi Arabia, all developed nations are industrial economies for example, USA, Britain, Japan. Economies with agriculture as main occupation can also be developed for e.g. Australia, Newzealand. But, developed agricultural economies are very less in number, where as there are number of examples of developed industrial nations. Therefore majority of world economies have started believing that to attain faster economic development, industrial sector has to develop.

10.1 Importance of Industrial Sector

Industrialisation is necessary to have speedy growth of the economy, to develop agriculture sector, to generate more employment opportunities, to do optimum utilization of internal resources of economy, for quick increase in income and for improving living standard of people. Therefore, it can be said that to overcome serious issues like unemployment and poverty in developing economies like India, industrialisation is must. Industrialisation is not only necessary for economic development, but also for social and political stability. That can be proven from factors mentioned on next page.

10.1.1 Contribution in National Income :

At the time of independence, agriculture sector was having dominance over economy which reduced gradually with the development of industries. Due to planning efforts, share of industries has increased in national income, but still it is not enough. In the year 1951, industrial sector contributed 16.6% in national income which rose to 27% (at constant prices) in the year 2013-14. Based on this, it can be said that contribution of industrial sector has increased in national income. It is also noticeable that, in the growth of service sector, industrial sector has played extra ordinary role.

10.1.2 Employment :

India is highly populated nation, where entire labour supply is not being utilized in productive activities. It also indicates that serious issue of unemployment is being created due to lack of enough employment opportunities. Planned efforts have increased employment opportunities in industrial sector. In the year 1951, 10.6% labourers were employed in industries which rose to 24.3% in 2011-12. Small scale industries in industrial sector, generally used labour intensive production technique therefore increase in small scale industries could substantially increase employment.

10.1.3 Export Income :

Similar to agriculture sector, industrial sector can also increase its production volume and generate surplus in economy. These surplus items can be exported to earn foreign exchange. This foreign exchange is very useful to import scarce items in the economy. In the year 2013-14 industries earned about 2/3 share of export income. Thus, industrial sector of economy does not only satisfy requirement of citizens but it also earns foreign exchange from exports of surplus production. Thus it indirectly helps in satisfying the requirements of other items in economy.

10.1.4 Balanced Economic Development :

Industrial sector is very useful in attaining rapid and balanced economic development. Along with development of economy, there is a rise in demand of primary commodities. In addition to this, excess income remains as savings. This increases demand of luxurious and entertainment products. This also can be satisfied by industries. In addition to this, government can also establish several public sector enterprises in less develop or backward areas to increase employment and income in order to make speedy and balanced development of economy.

10.1.5 Modernization of Agriculture :

Modernization of agriculture is needed to increase development of agriculture sector and to increase land and labour productivity. Industries can provide technology to help agriculture sector. Tractor, Thresher, Submersible pumps, equipments to spray pesticides, etc. and such other modern instruments can be provided by the industry. Even chemical based fertilizer, pesticides etc. are also produced by industries. Finally, it can be said that by using the modern technology of manufacturing industries, development of agriculture could be made possible.

10.1.6 Strengthens Economic Structure :

Industrial sector is essential to create strong solid structure of economy. Industrial sector produces products like steel (Iron), cement which are useful to build irrigation projects, roads, bridges, etc. In addition to that, it provides vehicles of transportation such as buses, trucks, railways, plane, car, two wheelers, etc. strengthen the economy. Even instruments of safety - protection (Rifles, bullets, tanks, etc.) are also produced by industrial sector which reduce dependence on other nations and make India much stronger economically.

10.1.7 Change in Social Structure :

Due to industrialisation, new industrial culture emerged. Due to which new values like discipline, hard work, competition, team work, self dependency, co-operation, under standing, innovation skills, institutional capability gets developed and stands against superstitions, fatalism, narrow psychology, orthodox behaviour gets reduced. These types of social changes inspire economic development.

10.2 Industrial Structure :

Industrial structure of India has remained progressive during planning period. It is important to understand industrial structure to know various aspects of industrial sector. Industrial structure varies depending upon the size of investment, ownership and produced products. This can be explained by following factors :

10.2.1 Types of Industries on the Bases of Investment Size :

10.2.1.1 Cottage Industries : Industries mainly run by family members and with simple equipments and with negligible use of electricity, machines and investment is known as cottage industry. E.g., Khadi, Papad, Khakhra, incense stick industries, etc.

10.2.1.2 Tiny Industries : Industries run on labour intensive production technique along with the investment limit upto 25 lakhs are known as tiny industries. E.g., Industries of Artistic products made from metal, leather, clay, etc.

10.2.1.3 Small Scale Industries : Industries which have investment of more than ₹ 25 lakhs and less than 5 crores and utilises labour intensive production techniques and ancillary industries to big industries are known as small scale industries. E.g., units producing tools and simple consumer goods, auto repair units, etc.

10.2.1.4 Medium Scale Industries : Industries which have investment limit of more than ₹ 5 crores and less than ₹ 10 crores, utilise labour intensive or capital intensive production techniques are known as medium scale industries. E.g., Industries of machinery, chemicals, electronic equipments, etc.

10.2.1.5 Large Scale Industries : Industries which have investment of more than ₹ 10 crores and utilise capital intensive production technique known as large scale industries. E.g., Industries related to equipments of railway, big vehicles, iron, etc.

10.2.2 Types of Industries on the Basis of Ownership

10.2.2.1 Public Sector Units : Industries which have ownership and administration under

government control are known as public sector units. For example, Railways, Telephone, Post, etc. Public sector units are classified in three categories :

Departmental Industries : When government runs industrial units under its direct observation as its department and includes its income and expenditure provisions in budget is known as departmental industries. E.g., Railways, Post, etc.

Public Corporations : Units which are owned by central or state government but administration is under independent control of corporation where in administration and decision process is under strong influence of government is known as public corporations. E.g., Life Insurance Corporation, State Transport Corporation, Air India and fertilizer producing and selling units (GSFC and GNFC) are known as public corporations.

Joint Stock Companies : Units which are managed by government like private companies within framework of prevailing company laws, for which government raises capital by issuing and selling shares to the people or institutes are known as joint stock companies. These units are not working under direct controls of government. These types of units are different from departmental industries and public corporations. E.g., Bharat Heavy Electricals Limited (BHEL), Oil and Natural Gas Corporation Limited (ONGC), Indian Oil Corporation (IOC), etc.

10.2.2.2 Private Sector Industries : Industrial units which are owned and managed by private sector are known as private sector industries. Here, it is notable that, management of such units are under personal ownership or partnership. E.g., Car, TV, Shoe making units.

10.2.2.3 Joint Sector Industries : There is difference between joint stock companies and joint sector industries. Units in which government has given up ownership rights of industry to people and institutes 51% or more are joint sector industries. Thus though industry is joint sector industry still it remains in the control of government. E.g., GSPC.

10.2.2.4 Co-operative Sector Industries : Industries run on co-operative activities to stop exploitation of small (marginal) owners, to stop exploitation of labourers or to stop exploitation of consumers and to provide benefit to all are known as industries of co-operative sector. Shops of daily used (essential) commodities, dairies, several banks have administration on co-operative bases. E.g., IFFCO, KRIBHCO.

10.2.3 Types of Industries on the Bases of Products

10.2.3.1 Consumers Goods Industries : Goods which directly satisfy the requirements of people are known as consumer goods. Industries producing these type of commodities are known as consumer goods industries. E.g., ghee, oil, soap, shampoo, powder making industries, etc.

10.2.3.2 Intermediate Goods Industries : Units which have semi finished production. It means, the types of goods which are semi processed in nature and still one stage of production is remaining are known as intermediate goods industries. E.g., yarn, steel sheets, machines etc.

10.3 Measures taken by Government for Industrial Development

To have overall development of economy industrial sector is as needed as other sectors. So government takes supportive steps for it, which are as follows :

10.3.1 State Owned Enterprises : Government set up basic and key industries. These

sectors require heavy investment and which are risky. Therefore private sector is not ready to make investment. Produce of these industries are very useful to other industries. Therefore government runs, such industries which contains high risk at the same time very important for development of industries.

10.3.2 Encouragement to (Promotion of) Private Sector Industries : To start and to run private sector industries, government provides various types of help like land at concessional rates, electricity, water and even tax breaks. In addition to that cheap and enough finance is provided by government. This way by giving different types of help, government tries to make them competitive. Government also gives private sector entry into the reserved sectors to have enough opportunities to grow.

10.3.3 Import Tariff : Import tariff means tax on imports. To protect local industries in international competitions government relies on import tariff, due to that foreign products (because of taxes) become expensive and become as costlier as cost of production and cost of sales of our domestic products. This way domestic products may become competitive to foreign products and they get protection.

10.3.4 Technical Skills and Training : Government provides technical and professional training to domestic industries to sustain in competition specially in the period of liberalisation and globalisation. They are trained about new technologies prevailing in the world, new types of goods, selling techniques, administration, etc. It tries to cultivate qualities of management and as much values as possible through training. The purpose is to make them as strong as possible.

10.3.5 Economic Support : Government also provides various economic help to industries to reduce their production cost. So, domestic industries may have lower production cost which enable them to sell their products in international market and by having price benefits that maximise its demand. Government may provide economic help by giving land on concessional rate. Water, electricity, telephone and even transportation, finance to make them efficient.

10.3.6 Infrastructural Facilities/Services : To develop industries basic facilities like road, water, electricity, banks, insurance, sewage and many more provided by government. Due to that industries may keep their costs under control. Here, it is noticeable that, by availing infrastructural facilities industries can save their money, time and efforts to attain least cost levels and become competent. So, they may get encouragement to run industries.

10.3.7 Setting up Various Institutes and Policies : Government makes various industrial policies and make necessary changes in them as per the requirement so as to help industries. It creates system so that its import policy, export policy, monetary policy, fiscal policy, tax policy, etc. remains favourable to industry. Even it tries to prevent unfair competition by it drafting different laws like industrial act, company act, competition act. etc. It has also created institutes like IDBI, SIDBI, ICICI, IFCI, LIC, GIC etc. to provide financial help to industries. It also tries to attract foreign investment. Thus, government provides help and protection from all aspects to create suitable environment for development.

10.4 Special Economic Zones

Special Economic Zones known as SEZ were introduced from 1st April 2000. Its main purpose is to attract foreign investment and to develop a free environment for exports. To make Indian producing sectors as equivalent to those of the world.

Tax incentives granted by law for special economic zones to attract foreign investors. These special economic zones are developed from the model of special economic zones of China which are very helpful to develop export oriented producing sector with foreign direct investment.

Tax free zones are being created by special economic zones. In other words, it can be said that within the nation SEZ are that type of geographical area, where economic laws remain different. China, India, Jordan, Poland, Philippines, Russia and North Korea have utilized special economic zones.

India has set up Eight Special Economic Zones : Santacruz (Maharashtra), Kochin (Kerala), Kandala and Surat (Gujarat), Chennai (TamilNadu), Visakhapatnam (Andhra Pradesh), Falta (West Bengal) and Noida (UttarPradesh). In addition to, new eighteen special economic zones are proposed.

Any private person, government, joint sector, state government or their representative bodies may start special economic zone. Even foreign institute can also start special economic zone. All these types of special economic zones may be controlled by government.

10.5 Importance of Small Scale Industries

Small scale industries have remained much important and progressive during the last five decades. They are very useful for employment generation, production with small capital, industrialisation in rural areas, development of backward areas, reduce regional imbalance and to have adequate distribution of national income and wealth. Small scale industries are complementing to large scale industries for social and economic development in India.

Industries which have investment more than ₹ 25 lakhs and less than ₹ 5 crores are known as small scale industries. Normally, these industries use labour intensive techniques and they use very less capital in comparison to large scale industries. Even then they are very helpful to large scale industries.

Importance of Small Scale Industries :

(1) Employment Generation : Small scale industries have very high potential of employment generation, main reason for that is they use labour intensive production technique. In the year 1994-95 small scale industries have generated 191.40 lakhs employment opportunities. It rose to 249.33 lakhs in 2001-02 and it sharply increased to 1,012.59 lakhs in the year 2011-12. Thus small scale industries have continuously increased their employment generation capacity which is a blessing for the nation having over population.

(2) Increase in Production : Normally large scale industries produce machinery and small scale industries produce necessary goods in nation. Small scale industries can increase production very sharply. They produced goods worth of ₹ 1,22,154 crores in 1994-95. It rose to ₹ 2,82,270

crores in the year 2001-02 and in the year 2011-12 it rose to ₹ 18,34,332 crores. This way small scale industries have shown sharp increase in volume of production. The remarkable feature of this industry is that the production carried out by using less capital.

(3) Increase in Production Units : Small scale industries give different types of benefits and due to that government and people (citizens) are keenly interested in it. Rise in production is only possible with rise of production units. India had 79.60 lakh small industrial units in 1994-95. It increased to 105.21 lakhs in 2001-02. That rose to the number of 447.73 lakhs units in 2011-12. That shows that development of small scale industries lead India towards industrialisation.

(4) Exports : Small scale industries have noticeable role in exports of India. Small scale industries of India exported worth ₹ 29,068 crores in 1994-95. It reached to ₹ 71,244 crores in the year 2001-02 and it rose to ₹ 1,77,600 in the year 2006-07. This way exports of small scale industries show rising demand in abroad economies. In addition to that, it generates income of foreign exchange which is very useful to manage imports of required items.

(5) Labour Intensive Production Technique : Production techniques are of two types : Capital intensive production technique and labour intensive production technique. Capital intensive production technique has main emphasis on production with the help of capital. It utilises more capital and less labour units in production process and keeps proportion of land and entrepreneur unchanged. In contrast to this, the labour intensive production technique produces goods with the help of labourers. It utilises more labour and less capital and it also keeps proportion of land and entrepreneur as unchanged.

Labour intensive production techniques are blessings for the nation like India where availability of labour is in excess. As labour intensive production technique has more scope of employment that is way it is more suitable to our nation.

(6) Saving of Foreign Exchange : Small scale industries are very useful to India. On one hand, they generate export incomes and on the other hand reduce India's import expenditure by producing many necessary goods locally. Ultimately, they help to improve balance of payment.

(7) Short Period of Time : Small scale industries can be started within very short period of time. These industries are very useful due to very short period of time between investment and production. As it can start production in a very short period, it is useful to overcome scarcity of goods and because of this, only required volume of production can be achieved by it to help nation.

(8) Balanced Regional Development : As against large scale industries, small scale industries can be started with capital, material and resources in any part of the nation. Due to that, benefits of it are not restricted to a few developed areas and it makes a possible balanced regional development. In this way, it is useful to reduce imbalance between rich and poor, developed and developing regions.

(9) Decentralisation : As large scale industries, need a large amount of capital, it can be started by a very limited part of the society of rich people and due to that it can be said that it

does centralisation of capital and wealth where small scale industries need very less amount of capital, it can be started by even small sized producers and have benefit of it. Small scale industries utilises different resources, dormant and passive equipments and resources too which increases volume of total production. Even these resources which are not used to generate employment and get income to distribute benefits of production equally is called decentralization in true sense.

(10) High Rate of Development : Large scale industries need large profits as large amount of capital are invested in it. They develop economy with irregular rate by doing large investments because they can not get change as per the changes of market where, small scale industries can be set up with small amount of capital. Therefore on one side a large numbers of producer increase the volume of production and income. On the other side it brings changes in production as market changes as it requires shorter gestation period. Thus, small scale industries are give very high rate of development which is highly required to develop nation.

Exercise

1. Choose the correct option for the following questions :

- (1) How much was the contribution of industries in 2013-14 in national income of India ?
 (a) 16.6 % (b) 27 % (c) 40 % (d) 60 %
- (2) What was the proportion of employment in industries in 2011-12 ?
 (a) 10 % (b) 24.3 % (c) 27 % (d) 49 %
- (3) How much investment is needed in large scale industries ?
 (a) 2 crores (b) 5 crores
 (c) More than 10 crores (d) 100 crores
- (4) What is public sector ?
 (a) Sector run by people (b) Sector run by government
 (c) Sector run on co-operation (d) International sector
- (5) When was the implementation of special economic zones ?
 (a) 1947 (b) 1991 (c) 2000 (d) 2011

2. Answer the following questions in one line :

- (1) Which type of production techniques are being utilized by small scale industries ?
- (2) What is medium scale industries ?
- (3) Define public corporation.
- (4) Australia is known as which type of nation in the world ?
- (5) How many special economic zones are in India ?

3. Answer the following questions in brief :

- (1) What is small scale industry ?
- (2) Give examples of joint stock companies.
- (3) How does social sector being changed by industrialisation ?

- (4) How does industries are helpful to modernize agriculture ?
- (5) What is special economic zone ?

4. Give answers to the point of the following questions :

- (1) Explain any three matters (points) about importance of industry.
- (2) Explain industrial structure on ground of investment.
- (3) Explain industrial structure on ground of ownership.
- (4) Explain any things/matters/points to prove importance of small scale industries.
- (5) Explain in brief special economic zone.

5. Answer the following questions in detail :

- (1) Discuss importance of industries.
- (2) Explain structure of industry.
- (3) Discuss importance of small scale industries.
- (4) Discuss steps of government to develop industries.

Glossary

Balanced Economic Development	: When all the sectors of economy develop equally, it is known as balanced economic development.
Import Duty (tariff) Tax	: Tax on import (purchase from abroad) is known as import duty (tariff) which is mainly used to restrict imports.
Special Economic Zone	: The area which attracts foreign investors and generates a control free environment to develop exports.
Foreign Direct Investment	: It is the investment made by individuals or companies of foreign origin in a certain home country for the purpose of direct production.
Public Sector	: A production unit which has ownership, administration and control with government is known as public sector unit.
Public Corporation	: When production unit is owned by government but administration made by independently that type of producing sector is known as public corporation.

