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COMPARATIVE STUDY OF INDUSTRIAL GROWTH IN PRE AND POST REFORM PERIOD

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Abstract

Post reform period is a period after introduction of New Industrial Policy 1991 during post reform period. New Globalized Liberlised policy of Indian government and privatization of various sectors has pace the growth of Indian economy bt still the growh rate is not much impressive and there is still need of various innovative industrial polices like "Make In India" programme launched by our honorable prime minister .A comparative study of industrial growth in post and pre reform period has shown that the progress rate in some sectors of industry is less as compared to the progress rate rate in pre reform period. Thus, the need for accelerated growth can hardly be overemphasized.

Economic Development In India: The economic development in India followed socialist-inspired policies for most of its independent history, including state-ownership of many sectors; India's per capita income increased at only around 1% annualised rate in the three decades after its independence. Since the mid-1980s, India has slowly opened up its markets through economic liberalisation. After more fundamental reforms since 1991 and their renewal in the 2000s, India has progressed towards a free market economy.

Way To Progress After 1991: In the late 2000s, India's growth reached 7.5%, which will double the average income in a decade. Analyst say that if India pushed more fundamental market reforms, it could sustain the rate and even reach the government's 2011 target of 10%. States have large responsibilities over their economies. The annualised 1999–2008 growth rates for Tamil Nadu (9.9), Maharashtra (9.7%), Gujarat (9.6%), Haryana (9.1%), or Delhi (8.9%) were significantly higher than for Bihar (5.1%), Uttar Pradesh (4.4%), or Madhya Pradesh (6.5%). India is the seventh-largest economy in the world and the third largest by purchasing power parity adjusted exchange rates (PPP). On per capita basis, it ranks 140th in the world or 129th by PPP.

Economic Growth: Favourable macroeconomic performance has been a necessary but not sufficient condition for the significant reduction of poverty amongst the Indian population. The rate of poverty decline has not been higher in the post-reform period (since 1991). The improvements in some other non-economic dimensions of social development have been even less favourable. The most pronounced example is an exceptionally high and persistent level of child malnutrition (46% in 2005–06).

The progress of economic reforms in India is followed closely. The World Bank suggests that the most important priorities are public sector reform, infrastructure, agricultural and rural development, removal of labour regulations, reforms in lagging states, and HIV/AIDS. For 2015, India ranked 142nd in Ease of Doing Business Index, which is setback as compared with China 90th,Russia 62nd and Brazil 120th. According to Index of Economic Freedom World Ranking an annual survey on economic freedom of the nations, India ranks 123rd as compared with China and Russia which ranks 138th and 144th respectively in 2014.

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At the turn of the century India's GDP was at around US$480 billion. As economic reforms picked up pace, India's GDP grew five-fold to reach US$2.2 trillion in 2015 (as per IMF estimates). India's GDP growth during January–March period of 2015 was at 7.5% compared to China's 7%, making it the fastest growing economy. During 2014-15, India's GDP growth recovered marginally to 7.3% from 6.9% in the previous fiscal. During 2014-15, India's services sector grew by 10.1%, manufacturing sector by 7.1% & agriculture by 0.2%. The Indian government has forecast a growth of 8.1-8.5% during 2015-16

Comparison of Industrial Development in Pre and Post Reform Period: This truth is accepted almost without any controversy. As a consequence of rapid growth in Indian economy, the industrial development has become a matter of serious concern for the planners and policy makers. Industrialization plays a vital role in the development of developing countries because they can solve their problems of general poverty, unemployment, backwardness, low production, low productivity and low standard of living etc. It is equally important for developed countries as it helps them not only to maintain their existing growth but also to enjoy still higher standards of living to avoid cyclic fluctuations. Therefore, rapid industrial growth has been a major objective of planning in India.

Phase I: Pre Reform Period (1981-82 to 1990-91): The Period of 1980s can be termed as a period of industrial recovery. This is clearly brought out by a study of the revised Index of Industrial Production (Base 1980-81). Rates of industrial growth based on this index are presented in Table 1.

Table: 1 Annual Growth Rates in Major Sectors of Industry from 1981-82 to 1990-91 (in Per cent)

Period (Weight)	Mining (11.46)	Manufacturing (77.11)	Electricity (11.43)	General (100)
1981-82	17.7	7.9	10.2	9.3
1982-83	12.4	1.4	5.7	3.2
1983-84	11.7	5.7	7.6	6.7
1984-85	8.9	8.0	12.0	8.6
1985-86	4.1	9.7	8.5	8.7
1986-87	6.2	9.3	10.3	9.1
1987-88	3.8	7.9	7.7	7.3
1988-89	7.9	8.7	9.5	8.7
1989-90	6.3	8.6	10.8	8.6
1990-91	4.5	9.0	7.8	8.2
Average from 1981-82 to 1990-91	8.4	7.6	9.0	7.8

New Industrial Policy and Liberal Fiscal Regime: One of the main causes of industrial recovery during the 1980s was the liberalisation of industrial and trade policies by the government. According to Ahluwaliya "The most important changes have related to reducing the domestic barriers to entry and expansion to inject a measure of competition in domestic industry, simplifying the procedures and providing easier access to better technology and intermediate material imports as well as more flexibility in the use of installed capacity with a view to enabling easier supply responses to changing demand conditions." These factors operating from the supply side were helped by the pursuit of what may be termed as a „liberal fiscal regime.‟ The important features of liberal fiscal regime were: i) maintenance of high budgetary deficits year after year: ii) resort to massive borrowing often at high interest rates: iii) the encouragement of dissaving. All these aspects of liberal fiscal regime helped to expand the demand for manufactured goods in the economy.

Phase II: Post Reform Period (1991-92 to 2010-11): The post reform period up to 2000-01 was marked by considerable fluctuations and thus showed a total lack of consistency in industrial growth performance. Table 2 indicates trends in growth rates of overall industrial production and its three major components viz. Mining, Manufacturing and Electricity. After a sharp fall to 0.6 per cent in 1991-92, the industrial growth rate exhibited a rising trend from 1992-93 registering an overall growth of 2.3 per cent during 1992-93, 6.0 per cent in 1993-94, 9.1 per cent in 1994-95 and further to 13.0 per cent in 1995-96.

After reaching a peak in 1995-96, industrial growth slowed down considerable in 1996-97 (6.1 per cent) and registered a marginal improvement (6.7 per cent) in 1997-98. The downward trend continued in the next year too, with industrial growth falling to 4.1 per cent in 1998-99. The slowdown of industrial growth in three consecutive years was mainly due to the poor performance of electricity generation, mining, and decline in agriculture production in 1997-98.

It also affected rural incomes which directly resulted in lower demand for certain industrial product, capital markets remained depressed for the past couple of years, drying up source of investment funds for industry, export growth had been sluggish in 1996-97, low demand for exports adversely affected industrial production and several industries had been subject to competitive pressure from imports. After a turnaround in 1999-2000, industrial growth slowed down during 2000-01.

Overall, industrial growth during 2000-01 at 5.0 per cent was lower than 6.7 per cent during the corresponding period in 1999-2000. The average rates of growth of Indian Industry in the post reform period (1991-92 to 2000-01) were 6.0 per cent, the growth of manufacturing sector was 6.3 per cent, mining 3.3 per cent, and electricity was 6.6 per cent. The average annual growth rate of industrial production which was 7.8 per cent in the pre-reform decade (1981-82 to 1990-91) fell to 6.0 per cent during the period 1991-92 to 2000-01.

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Table: 2:Annual Growth Rates in Major Sectors of Industry from 1991-92 to 2010-11 (in Per cent) Period

(Weight)	Mining (10.4)	Manufacturing (79.4)	Electricity (10.2)	General (100)
1991-92	0.6	-0.8	8.5	0.6
1992-93	0.5	2.2	5.0	2.3
1993-94	3.5	6.1	7.4	6.0
1994-95	9.8	9.1	8.5	9.1
1995-96	9.7	14.1	8.1	13.0
1996-97	-1.9	7.3	4.0	6.1
1997-98	6.9	6.7	6.6	6.7
1998-99	-0.8	4.4	6.5	4.1
1999-00	1.0	7.1	7.3	6.7
2000-01	2.8	5.3	4.0	5.0
2001-02	1.2	2.9	3.1	2.7
2002-03	5.8	6.0	3.2	5.7
2003-04	5.2	7.4	5.1	7.0
2004-05	4.4	9.2	5.2	8.4
2005-06	1.0	9.1	5.2	8.2
2006-07	5.4	12.5	7.2	11.6
2007-08	5.1	9.0	6.4	8.5
2008-09	2.6	2.5	2.7	2.8
2009-10	9.7	10.8	6.0	10.3
2010-11	5.2	9.0	5.5	8.2
2010-11	5.2	9.0	5.5	8.2
Average from 1991-92 to 2010-11	3.9	7.0	5.8	6.7

Conclusion

Finally, it may be concluded that although the industrial sector of India has grown afte1991, the rate is below expectations, especially after globalisation. the manufacturing sector, athe most dominant sector within industry also witnessed a decline in growth to 2.7 per cent in 2011-12 and 1.9 per cent in 2012-13 compared to 10.8 per cent and 9.0 per cent in 2009-10 and 2010-11, respectively. The summary results of industrial development in India clearly indicate that the average annual growth rate of Indian industry has declined in the post reform period as compared with the pre reform period. The fall in the growth rate was 7.8 per cent to 6.7 per cent. A decline is also observed in the manufacturing sector. It was 7.6 per cent in pre reform period and 7.0 per cent in the post reform period. Thus, the need for accelerated growth can hardly be overemphasized.