



## REVIEW OF INDUSTRIAL DEVELOPMENT IN ANDHRA PRADESH

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### 2.1. ANDHRAPRADESH STATE:

Andhra Pradesh, one of the Southern States of India formed in 1956 extends over an area of 27.51 lakh Sq. Km. It is located in the tropical region between 17°N and 20°N and between 77°E and 85°E. According to 1981 census this geographically fifth. largest State in the country, occupies the fifth rank in population with 5.35 crores of persons.<sup>1</sup> The State is broadly divided into three economic regions namely the fertile Coastal region, the drought prone Rayalaseema region and the back ward Telengana region.

Andhra Pradesh is rich with mineral deposits, next to Bihar. The Coal deposits of the State accounts for nearly 80 per cent of the total mineral production and the State has a virtual monopoly of Chrysolite, Asbestos and Barytes. It ranks third in the production of Mica and fifth in Manganese production.

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Source: 1. Primary census abstract general population part II B (i) Series - I census of India (1981).

However, the feeling is that Andhra Pradesh is industrially backward with respect to some other states in the country. The reasons for the backwardness of the state are said to be lack of aggressive entrepreneurship. To ensure rapid industrialisation Government of Andhra Pradesh has been implementing promotional programmes covering a wide range of activities.

### 2.2. INDUSTRIAL PROGRESS DURING FIVE YEAR PLANS:

At the beginning of First Five Year Plan there were 4,578 industrial establishment in the State providing employment to 1.10 lakh workers.<sup>2</sup> It is evident from the fact

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that the number of industrial establishment showed a significant decline from 1951-56. During the First Five Year Plan an expenditure of Rs.114.61 lakhs was incurred on industries and mining activities. Of this expenditure 91.02 lakhs was incurred on large and medium scale industries in the State. The performance of these industries seems to be unsatisfactory during the First Five Year Plan.

During the Second Five Year Plan period the Government industrial concerns like Paper mill, Ceramic industry etc., were expanded besides starting 5 cooperative Sugar factories. In all, 4 schemes at an expenditure.

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Source: 2. Government of Andhra Pradesh Fifth Plan. Andhra Pradesh Technical papers I. P.33.

Rs.222 lakhs were take up for the development of major and medium industries in the state. The programme of industrialisation consisting primarily the provision of infrastructure is accepted as an important aspect of the development of the state and Rs.1,015.15 lakhs was incurred on industries and mining sector. However, relatively less importance was given to large and medium scale industries by providing only 15.12 per cent of the total funds of the industrial sector. Thus, the overall industrial progress seems to be positive though not impressive.

During the Third Five Year Plan period-with a view to promote the growth of industry, industrial development areas have been set up in Visakhapatnam, Cuddapah and Hyderabad. Further, expansion of these areas was also taken up. In an attempt to organise and promote industrial development in the state the Andhra Pradesh Industrial Development Corporation was established to render financial aid to industry and to promote directly selective industries and a sum of Rs.108 lakhs was provided. 9 schemes with an expenditure of Rs.665 lakhs were started during the Third Five Year Plan.

An expenditure of Rs.1,519.13 lakhs was provided for industries and mining activities in the third plan period.

The share of large and medium scale industries is estimated at 38.28 percent of the total expenditure on industrial sector.

The industrial development programme were continued during three annual plans and an amount of Rs.710.64 lakhs was incurred on industrial and mining development programme of which 374.60 lakhs was spared for the large and medium scale enterprises in the state. Table No.1 presents in the growth of medium scale industries in the State during 1962-69.

It is observed that the number of medium scale industrial units increased gradually during the Third Five Year Plan and showed a decline in the subsequent annual plans. On the other hand, the number of workers employed in these units fluctuated between years and reached 75,000 in the terminal year of the period under review. The per unit employment of workers in medium scale industries raised from 121 in 1965 to

157 in the owing and the terminal years. It is evident that the of establishments declined between 1962 and 1969 number of employed workers showed a marginal increase. Thus, the overall rate of growth of medium scale industrial units was negative and the employment was positive but not significant.

**TABLE NO.1**  
**GROWTH OF MEDIUM SCALE INDUSTRIES IN ANDHRA PRADESH**

Year	No. of Units	Workers	Units
1962	494	60,992	123
1963	591	83,593	141
1964	633	78,968	124
1965	653	79,225	121
1966	519	81,342	157
1967	562	86,699	154
1968	482	70,401	146
1969	477	75,010	157

Source: Government of Andhra Pradesh, Fifth Plan, Andhra Pradesh Technical Paper-I, P.49.

The Fourth Five Year Plan document noted that the level of industrial development in Andhra Pradesh is very low despite that vast natural resources the state is endowed with.<sup>3</sup> The development of medium and large scale industries in the state was taken up with the twin objectives of developing medium and large scale industries for the purpose of diversifying the economy enabling a gradual transformation of the state and helping a more balanced regional development by appropriate location of these activities. The strategy of providing infrastructural facilities and financing the activities by the Andhra Pradesh Industrial Development Corporation was adopted. Incentives were also provided to attract the private capital to the state.

There were 153 large and medium scale industries in the state with a capital outlay of Rs.280 crores.<sup>4</sup> out of this the outlay on the Central Public sector is Rs.117 crores with an employment potential of 26,000. During Fourth Plan period Rs.11.09 crores was provided for Large and medium scale industries of which Rs.8.53 crores was allotted for the programmes implemented by the Director industries. The important programme implemented by

3. Government of Andhra Pradesh, Fourth Five Year Plan, P60-74, Vol.I. P.158.

4. Government of Andhra Pradesh, Fourth Five Year Plan 960-74, Vol.I. P.160.

the Director of Industries are the scheme of industrial development areas with Rs.4.23 lakhs and the incentives offered for Rs.1.09 lakhs.

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Of the amount allotted for industrial development areas was Rs.1.13 crores for Coastal Andhra Rs.0.51crores for Rayalaseema and Rs.2.99 crores for Telengana were provided. All these efforts could not promote the level of industrial development in the State, as it is evident from "Inspite of the passage of the four plans and inspite of the fact that the state possesses abundant natural resources and a wide range of mineral deposits, industrially the state continues to remain backward".<sup>5</sup>

The industrial policy of the Fifth Five Year Plan aimed at sub-serving the national plan objectives of creating increased employment opportunities. It was also intended to promote production oriented industries to achieve import substitution and export promotion. During the Fifth Plan Government revised the pattern of the incentives for all new industrial units and also for expanded units that had gone into

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5. Government of Andhra Pradesh, Fifth Five Year Plan ft outline, JULY, 1977. P.74.

production on or after 1<sup>st</sup> January, 1976 by way of grant of 10 percent on the fixed capital cost as investment subsidy to all unit set in areas declared as backward under 6 point formula, 20 percent investment subsidy in declared tribal areas, grant of interest free sales tax loan to the extent of 10 percent of capital investment to all units set in the state except in the Municipal Corporations.<sup>6</sup>

188 large and medium scale industries and 1,684 small scale industrial units were granted incentives to an extent of Rs..338.78 lakhs and Rs.305.55 lakhs respectively during 1974-80. The Andhra Pradesh Industrial Infrastructural Corporation was established in 1973. It has been placed incharge of establishment and development of various industrial development estates, assisted private industrial estates and Autonagar in the state.

At the beginning of the Fifth Plan period there industrial development areas in the state.<sup>7</sup> Several of the Andhra Pradesh Industrial Development Corporation including Nagarjuna Steels, A.P. State Tanneries Limited, Pioneer Allied Casting Limited, etc., have gone into production under the units of A.P.I.D.C. units like

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6. Sixth Five Year Plan, 1980-85, Andhra Pradesh draft Vol. II, 1980. P.245.

7. Fifth Five Year Plan, Andhra Pradesh draft outline, July, 1973, P.288.

Andhra pradesh. Lightings Limited, Rayalaseema Paper Mills Andhra Pradesh Corbides etc., are the important units that made significant progress.<sup>8</sup>

The principal activity of State Financial corporation has been extending term loans. The following Table No.2. gives the achievements of the state Financial Corporation during the Fifth Plan period. It is noted that a sum of Rs.137.47 crores was sanctioned by the State Financial Corporation during 1973-80. The sanctions showed a continuous increase from Rs.8.28 crores in 1973-74 to Rs.39.49 crores in 1979-80.

However, the disbursement the Corporation increased gradually and accounted for only 57 percent of the total sanction during the period under review.

The sanctions in backward districts also showed an improvement by a magnitude of a little over 6 times the beginning to the terminal year. The percentage of sanctions to backward areas to total sanctions of the of the Corporation varies from 34.3 percent in 1973-74 to 50.6 percent in the following year. On the whole only 35 percent of the total sanctions of the Corporation were invested in the backward districts of the state.

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 Sixth Five Year Plan, Ibid. P.246.

**TABLE NO.2**  
**DISBURSEMENTS OF STATE FINANCIAL CORPORATION 1973 – 80**

(Rs.in lakhs)

Sl. No.	Year	Total Sanctions	Disbursements	Percentage to Sanctions	Sanctions in Backward districts	Percentage to total sanctions
1.	1973-74	828.37	409.12	49.4	284.27	34.3
2.	1974-75	993.31	517.15	52.1	503.45	50.6
3.	1975-76	1,265.96	682.05	53.8	565.41	44.6
4.	1976-77	1,510.25	735.99	48.7	739.37	48.9
5.	1977-78	1,262.08	1,090.15	50.4	919.64	42.5
6.	1978-79	3,037.88	1,671.90	55.0	N.A.	--
7.	1979-80	3,949.46	2,734.00	69.2	1,769.78	44.8
Total		13,747.31	7,840.35	57.03	4,781.92	34.7

Source : Sixth Five Year Plan, Ibid. P.246.

During the sixth Five Year Plan, considering the low industrial tossed it was proposed to develop large and medium scales industries through their linkage effects in the economy. It is noted that the state has already stated adequate infrastructural facilities toy investing hugs amounts particularly in power sector. However, one of the most important infrastructure required toy the industry namely mater development was progressed in the Sixth Five Year Plan

Keeping various objectives and strategies of the Planning commission in view, the sixth five Year Plan envisaged an outlay of Rs.93.66 crores. However, an expenditure of Rs.130.79 crores was Incurred on the development of medium and large scale industrial generating employment of 25.31 lakhs mandays during the Sixth Five Year Plan.<sup>9</sup> The State Government announced certain incentives for the growth of industries in the backward areas which were not covered by the investment subsidy schemes of Government of India. Under the scheme of state incentives during the Sixth Plan period an amount of Rs.10.13 lakhs was disbursed.

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Government of Andhra Pradesh, Seventh Five Year Plan, 1980-85, Vol.I. 1986, PP.211 and 220.

In spite of the implementation of State incentives scheme during the sixth Plan, the impact of industrialization in the backward areas is not really felt and still certain districts like Srikakulam and Anantapur continue to be industrially backward. The Andhra Pradesh Industrial Development Corporation and Andhra Pradesh State Financial Corporation are expected to play a leading role in emphasizing diversification of industries, particularly with employment potential, and promote industries in backward areas. The major thrust of planned activity in the seventh Plan was to fully exploit favourable industrial climate, improve productivity emphasizing employment generation and developed backward areas, the strategy of Seventh Plan was designed to remove regional imbalances in the State with the dispersal of industries in backward areas of the state. The provision under medium and large scale sector is essentially meant for the operation of the scheme of state incentives during the seventh Plan period.<sup>10</sup>

A new package of incentives is devised to tackle the problem of unbalanced and uneven development of various zones and areas in the state. Under the new scheme of incentives there will be 20 growth centres spread over 7 districts. In addition to this the three backward districts

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Seventh Five Year Plan. Ibid, P.288.

of Srikakulam, Anantapur and Adilabad would be treated as incentive industrial development districts, where higher quantum of incentives would be given for industrial units coming up.

The Andhra Pradesh Industrial Infrastructural Corporation proposed to develop land to an extent of 8,245 acres. An amount of Rs.20 crores was utilised as margin money during the Seventh Plan. The Andhra Pradesh State Financial Corporation received Rs.809 crores from the Government as share capital. The Corporation envisaged sanctions to the extent of Rs.670 to 1,200 to medium and small scale industries during the seventh Plan.

Andhra Pradesh Industrial Development Corporation proposed to promote 767 new industrial units in the state during the Seventh Plan period. Equity capital of Rs.5,780 lakhs and seed capital of Rs.1,282 lakhs was proposed to be incurred by the Corporation. It needs margin money of Rs.1,690 lakhs to disburse term loans. It has also proposed to sanction term loans under I.D.B.I. (Industrial Development Bank of India) refinances scheme the tune of Rs.188.03 lakhs.

Table No.3 summarises the details of expenditure on Industry and mineral Development in Andhra Pradesh during the Five Year Plans. The industrial activity received priority during the second plan with a 9 fold increase in the expenditure. Afterwards the expenditure fluctuated till the end of the fourth plan. Again industrial development picked up momentum during the fifth plan and greater emphasis was placed in the following plan with 9 times increase in the expenditure. The percentage of expenditure on industry was less than 5 in all the plans except in the Second and Sixth Plans. Thus, it can be said that industrial development activity has been encouraged and emphasized from 1956-57 to 1960-61 and 1980-81 to 1984-85 and in the remaining plans less importance will be given to industries in Andhra Pradesh.

**TABLE 3**  
**Allocation of Industrial Sector in Andhra Pradesh**

Plan Period	Total Plan Expenditure (Rs. Crore)	Allocations for Industrial Sectors	Percentage to Total
First Plan 1951-56	96.78	1.46	1.5
Second Plan 1956-61	179.85	10.15	5.64
Third Plan 1961-66	352.42	15.19	4.31
Forth Plan 1969-74	448.87	14.73	3.28
Fifth Plan 1974-79	1444.71	51.50	3.56
Sixth Plan 1980-85	3287.07	200.88	6.21
Seventh Plan 1985-90	5978.88	284.92	4.76
Eight Plan 1992-97	13606.61	540.58	3.98
Ninth Plan 1997-2002	28557.40	738.66	2.59
Tenth Plan 2002-2007	46611.83	1855.11	3.98
Eleventh Plan 2007-2012	147395	5233	3.55

Source : 1. Andhra Pradesh economic survey.  
2. Different plan record of Andhra Pradesh.  
3. Telugu Academy 2013.

#### **CONCLUSION :**

Huge expenditure was incurred Large and Medium Scale Industries during the First Five year plan which failed to promote rapid growth of industries in the State. The Second Five year plan less importance was given to the Medium and Large Scale Industries and hence industrial progress was not impressive though positive. During the Third Five Year Plan industrial development areas were setup in the State. But the number industrial unit showed the decline while the employment of workers showed a marginal increase. The fourth five year plan document noted that the level of industrial development was very low. The industrial policy of the fifth five year plan aimed at sub-

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serving the national plan of objectives. Development of Large and Medium Scale industries was given priority in the sixth plan and the most important infrastructure required by the industry namely water development was programmed the strategy of seventh plan designed to remove regional imbalances in the state a new package of incentive is devised to tackle the problem of unbalance industrial development. The eight five year plan did not increase to the expected level generating employment opportunities in industries. During the ninth five year plan Government has drafted special policies with predetermined targets for the industrial growth of Andhra Pradesh. But the growth did not reached to the expected level. It is said that the tenth five year plan witnessed an optimistic development in the industrial sector of Andhra Pradesh. During the eleventh five year plan the annual growth target is fixed to 9 percent. However the industrial growth pattern in Andhra Pradesh was hampered because of industrial backwardness under utilization of productive capacities, poor performance of industries, infrastructural constrains, regional imbalances and the most important one is industrial sickness.