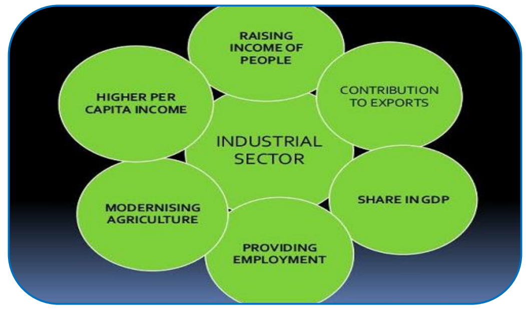
REVIEW OF RESEARCH
IMPACT FACTOR : 5.7631(UIF) UGC APPROVED JOURNAL NO. 48514 ISSN: 2249-894X
VOLUME - 8 | ISSUE - 6 | MARCH - 2019

INDUSTRIAL ECONOMIC DEVELOPMENT OF INDIA

Navsagare Kishor Sonba
Research Scholar, Umerkhed Dist. Yeotmal.

ABSTRACT :
Industrial economic development lies in:- *(i) providing more food to the rapidly expanding population; (ii) increasing the demand for industrial products and thus necessitating the expansion of the secondary and tertiary sectors; (iii) providing additional foreign exchange earnings for the import of capital goods for development through increased agricultural exports; (iv) increasing rural income to be mobilized by the state; (v) providing productive employment; and (vi) improving the welfare of the rural people. We will discuss these one by one.*



KEYWORDS : *Industrial Economic development population.*

INTRODUCTION :

Providing more food to the rapidly expanding population. In LDCs, food production dominates the agricultural sector. When output expands with increased productivity, it increases the income of the farmers. Rise in per capita income leads to substantial rise in the demand for food. In such economies, the income elasticity of demand for food is very high. It usually ranges 0.6 and 0.8 per cent. Moreover, the increase in the growth rate of population due to a rapid decline in the mortality rates and slow reduction in fertility rates tends to raise further the demand for food. Besides, the demand for food increases with the expansion of population in towns and industrial areas Taking these factors into consideration, the increase in farm output should be at a higher rate than the rate of increase of food demand. In a situation where the increased production of agricultural commodities lags behind the growth in demand for them, there will be a substantial rise in food prices. To offset domestic shortage and prevent rise in prices, food may be imported from abroad but it can be at the cost of capital goods needed for development. The state may also introduce price controls, rationing and compulsory food collection. All this emphasizes the importance of increase in food production in LDCs. A rise in rural purchasing power, as a result of the increased agricultural surplus, is a great stimulus to industrial development. The market for manufactured goods is very small in an underdeveloped country where peasants, farm labourers and their families, comprising typically, two-thirds or four-fifths of the population, are too poor to buy any factory goods in addition to whatever little they already buy. There is lack of real purchasing power reflecting the low productivity in agriculture. The basic problem thus is low investment-returns caused by the small size of the market. Increased rural purchasing power caused by expansion of agricultural output and productivity will tend to raise the demand for manufactured goods and extend the size of the market. This will lead to the expansion of the industrial sector. Moreover, the demand for such inputs as fertilizers, better tools, implements, tractors, irrigational facilities in the agricultural sectors will lead to the greater expansion of the industrial sector. Besides, the means of transport and communications will expand when the agricultural surplus is to be transported to urban areas and manufactured goods to the rural areas. The long-run effect of the expansion of the secondary and tertiary sectors will be towards higher profits in them whether they are operated in the private or the public sector. These profits will tend to increase the rate of capital formation through their reinvestment. This is what Kuznets calls the "market contribution" of agriculture when it trades with others.

Underdeveloped countries mostly specialise in the production of a few agricultural goods for exports. As output and productivity of the exportable goods expand, their exports increase and result in larger foreign exchange earnings. Thus agricultural surplus leads to capital formation when capital goods are imported with this foreign exchange. As development gains momentum due to industrialization, the proportion of agricultural exports in country's total exports is likely to fall as they are needed in larger quantities for domestic production of imported articles. Such articles are import substitutes and conserve foreign exchange. Similarly, increased marketed surplus of foodgrains leads to a net saving of foreign exchange, as the economy tries to achieve the goal of self-sufficiency in food production. Larger production of food and export crops not only conserve and earn foreign exchange but also lead to the expansion of the other sectors of the economy. Foreign exchange earnings can be used to build the efficiency of other industries and help the establishment of new industries by importing scarce raw materials, machines, capital equipment and technical know-how. Kuznets calls it the "product contribution" of agriculture which *first* augments the growth of net output of the economy, and *second,* the growth ' of per capita output.

An underdeveloped country needs large amount of capital to finance the creation and expansion of the infrastructure and for the development of basic and heavy industries. In the early stages of development, capital can be provided by increasing the marketable surplus from the rural sector without reducing the consumption levels of farm population. According to Johnston and Mellor, "An increase in agricultural productivity implies some combination of reduced inputs, reduced agricultural prices or increased farm receipts."[2] Labour as the principal input can be a source of capital formation when it is reduced on the farm and employed in construction works. But the possibility of utilising unskilled surplus farm-labour on capital projects requiring skilled labour is limited. The *second* possibility of increasing capital formation through reduced agricultural prices is also not feasible in the early stages of development when the rise in prices is inevitable. Reduction in agricultural prices is possible in the long-run but democratic countries may not be able to follow this policy for political reasons. A more practicable solution is to stabilise the prices of farm products. The *third* possibility of increasing farm receipts is perhaps the best way of capital formation. This can be done by mobilising increased farm income through agricultural taxation, land revenue, agricultural income tax, land registration charges, school fees, fee for providing agricultural technical services and other types of fees that cover all of part of the cost of services provided to the farm population. But "political and institutional problems make it difficult to translate the increased potential for saving and capital accumulation made possible by increased agricultural productivity, into an actual increase in investment, “in underdeveloped countries. According to Wald, special assessments have had their widest application in the United States. In view of the fact that they are specially designed for financing such development projects as irrigation works, flood control system and certain classes of roads, all of which are extremely important for underdeveloped countries." Except for betterment levy in a few states no other assessment exists in India. Earnings from land revenue are on the decline and agricultural income tax is not favoured due to political reasons. Wald, therefore, warns underdeveloped countries like India that ***"the penalties of too light taxation of agriculture a stagnating farm sector, a financially starved public sector and a retarded rate of economic growth in the country as a whole."*** Thus in countries where agriculture dominates, the taxation of agriculture in one form or another is essential for mobilising agricultural surplus in order to accelerate economic development. Kuznets calls it the "factor contribution" of agriculture when there is a transfer of resources to other sectors, these resources being productive factors.

Agriculture also expands and diversifies employment opportunities in rural areas. As agricultural productivity and farm income increase non-farm rural employment expands diversifies. Landless and marginal farmers are primarily engaged in non-agricultural pursuits which include the manufacture of textiles, furniture, tools, handicrafts, leather and metal working; processing, marketing, transport, repair work; construction of houses and other buildings; education, medicine and other services. All these activities satisfy local demand Lastly, increase in rural income as a result of the agricultural surplus, tends to improve rural welfare. Peasants start consuming more food especially of a higher nutritional value in the form of superior quality cereals, eggs, ghee, milk, fruits, etc. They build better houses fitted with modem amenities like electricity, furniture, radio, fan, etc. Provide themselves with bicycles motor cycles, watches, readymade garments, shoes, etc. They also receive direct satisfaction from such services as schools, health centres, irrigation, banking, transport and communication facilities. Thus increased agricultural surplus has the effect of raising the standard of living of the mass of rural people.

ROLE OF INDUSTRIALISATION

Industrialisation is the process of manufacturing consumer goods and capital goods and of creating social overhead capital in order to provide goods and services to both individuals and businesses. As such industrialisation plays a major role in the economic development of LDCs.

Industrialisation is a pre-requisite for economic development as the history of advanced countries show. For development, the share of the industrial sector should rise and that of the agricultural sector decline. This is only possible through a policy of deliberate industrialisation. As a result, the benefits of industrialisation will "trickle down" to the other sectors of the economy in the form of development of agricultural and service sectors leading to the rise in employment, output and income.

In overpopulated LDCs there is overcrowding on the land, holdings are subdivided and fragmented, and farmers practise traditional agriculture. For rapid development, LDCs cannot afford to wait for changes in farm practices to take place. Therefore, LDCs must begin with industrial development to supply fertilisers, farm machinery and other inputs so as to increase efficiency on the farm.

Again, Industrialisation is necessary in order to provide employment to the underemployed and unemployed in the agricultural sector. In overpopulated LDCs, large number of people are underemployed or disguised unemployed whose marginal product is zero or negligible. They can be transferred from agriculture to industry with little or no loss in agricultural output. Since the marginal product of labour is higher in industry than in agriculture, transferring such workers to the industrial sector will raise aggregate output. Thus overpopulated LDCs-have no choice but to industrialise.

Industrialisation is also essential in LDCs because it brings increasing returns and economies of scale while agriculture does not. "These economies reside in training, stimulating communication, interaction within industry (inter-sectoral linkages), demonstration effects in production and consumption, and so on. Rural society tends to be stagnant, urban society dynamic. Since industrialisation brings urbanisation, it is superior to the stimulation of agriculture."

Further, the LDCs need industrialisation to free themselves from the adverse effects of fluctuations in the prices of primary products and deterioration in their terms of trade. Such countries mainly export primary products and import manufactured goods. The prices of primary products have been falling or remaining stable due to protectionist policies of advanced countries, while the prices of manufactures have been rising. This has led to deterioration in the terms of trade of the LDCs. For economic development, such countries must shake off their dependence on primary products. They should adopt import substituting and export-oriented Industrialisation.

The case for industrialisation in the LDCs also rests on the psychological boost which such a policy provides to their citizens in marching towards modernisation. Industrialisation is viewed matter of pride by every LDC, for it implies using the new technology, new and diverse skills larger enterprises and more large cities. Moreover, incomes rise rapidly in the industrial Sector Which are saved and invested for creating more demand for goods and services. Since Industrialisation is followed by urbanisation, employment opportunities and incomes increase, people enjoy the fruits of modernisation in the form of a variety of goods and services available in an centres due to industrialisation. These also affect the rural sector through the demonstration effect. Thus industrialisation tends to raise the living standards and promotes social welfare.

Finally, industrialisation brings social transformation, social equality, more equitable distribution of income and balanced regional development in the process of economic development.

A CRITICAL APPRAISAL

The policy of industrialisation followed by the LDCs in the early phase of their development has not brought the expected economic and social benefits. It has failed to reduce inequalities of income and wealth, unemployment, and regional imbalances. Even the pace of development has been uneven with the neglect of the growth of other sectors. Moreover, industrialisation has created such serious problems as: "(i) rural stagnation, *(ii)* the mushrooming growth of the urban underclass, *(iii)* education poorly geared to the development needs, (*iv*) organisational "power failures" in government bureaucracies, and *(v)* excessively high rates of growth of the population and the labour force."

Therefore, economists have veered round to the view that there is no basis for the argument that development should be launched with industrialisation. Rather, the process of development should be interwoven with the harmonious growth of agriculture and industry. In fact, in most LDCs successful industrialisation has been supported by sustained agricultural development.

INTERRELATIONSHIP BETWEEN AGRICULTURAL AND INDUSTRIAL DEVELOPMENT

Debates have centered around the relative importance to be assigned to agriculture versus industry. But this dichotomy is often overdrawn. Experience has shown the limitations over emphasising industrialisation, and it is increasingly recognised that agricultural pr: must have a vital role in the development process. The earlier confrontation of industrial development versus agriculture has been shown to be a false issue, and the concern now is rather with the inter-relationship between industry and agriculture and the contribution that each can make to the other."

In the LDGs, more people are engaged in agriculture for their livelihood than in the industrial and other sectors of the economy. Agricultural growth provides food for the growing non-agricultural labour *force and* raw materials for agro-based industries, stimulates domestic demand for industrial goods, increases savings and tax revenue to be utilised for further development, earns more foreign exchange to finance imports of capital, intermediate goods and raw materials for industrialisation, and facilitates the development of labour-intensive village, small and medium industries in rural and urban areas.

Since agriculture provides employment to more than 70 per cent of the population in the early stages of development, increases in agricultural production and productivity, raise rural incomes. Rising rural incomes have strong multiplier effects in that they increase the demand for domestic non-agricultural goods and services which, in turn, increase the income of those providing the goods an d services.

As rural income rise due to increasing agricultural yield, the increase in the domestic demand for industrial goods brings rapid gains in industrialisation. Besides, increase in industrial output of consumer goods needed by the rural population, the output of fertilisers, pesticides, agricultural tools, implements, and other intermediate manufactured goods required by the farm sector also increases. Moreover, with the diversification of agricultural activities, a number of labour-intensive village and small enterprises are set up in the rural areas. These provide further fillip to industrialisation.

When there is agricultural progress, some of the resources for industrialisation come from agriculture. In fact, increased agricultural productivity implies a large marketable surplus and a redistribution of income in favour of the rural sector. Industrialisation requires the reallocation of funds towards the modern sector along with rising agricultural incomes. Rising farm incomes mopped lip through land taxes and betterment levies, and the mobilisation of rural savings through savings drives and such financial institutions as co-operative banks, rural banks, etc. They play; an important part in channelising rural savings for industrialisation.

Increasing yields of agricultural products for exports help finance large imports of rawmaterials, intermediate and capital goods for industrial production. Similarly, by raising their food production, the LDCs save the foreign exchange for industrial development. On the other side, industrialisation favourably affects agricultural development in a number of ways.

First, with industrialisation income rise rapidly which increase the demand for such agricultural modifies as milk, vegetables/ eggs, poultry, etc. Since the production of such commodities is labour intensive, agricultural production is greatly increased without enlarging farm acreage. This, in turn, provides more work to the rural population and raises incomes.

Second, industrialisation increases the availability of capital for the agricultural sector which helps in modernising agriculture and raising farm output.

Third, industrialisation followed by urbanisation opens vast job opportunities to the rural people who remit money back to their home. This, in turn, is utilised for buying inputs for farming or raising cattle, poultry, fisheries, etc. With improved means of transportation due to industrialisation, markets Expand which facilitate the sale of such agricultural products at remunerative prices in the towns. Moreover, rural people living in villages near the towns and cities who work in city establishments also continue various part-time jobs at home which further raise their incomes.

Fourth, when urbanisation follows industrialisation, it provides larger facilities for education, travel and contact with new things and ideas which widen the horizon of the rural people, change their attitudes towards life and lead to modernisation.

CONCLUSION:- Industrialisation provides a wide and expanding range of consumer goods which encourages the agriculturists to increase farm produce. This, in turn, tends to raise their income to enable them to buy the consumer goods.

Thus both agricultural and industrial development are interrelated and each affects the growth of the other in ways mentioned above. The LDCs should, therefore? achieve the harmonious development of agriculture and industry for a steady growth of the economy.

REFERENCES:

1. “ Reserve Bank of India’s Bulletins
2. “ Economic Political Weekly ” Vol. 34 issues 47, 12/20/1999.
3. “ Indian Economy ” by Rudar Dutt and Sundaram, S. Chand & Co.
4. “ Indian Economy ” by Mishra and Poori, Himalaya Publications.
5. “ Reserve Bank Monthly Bulletins ”
6. “ The Economic Times of India ” Mumbai.
7. “ Development and Planning ” by V K Puri & S K Mishra, Himalaya Publications, New Delhi.
8. “ Development Economics ” by Yujiro Hayami and Yoshihisa Godo, Pub.Oxford University Press.
9. “ The Economics of Development and Planning ” by M.L Jhingan, Vrinda Publication (P) Ltd. Delhi - 110091
10. “ Indian Economy ” by Uma Kapila – Academic Foundation – New Delhi - 110002