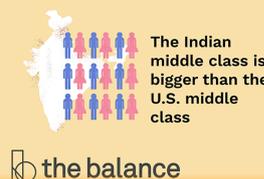
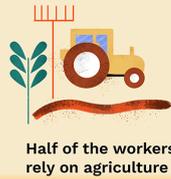


EXAMINE THE ROLE OF INDUSTRY IN OVERALL ECONOMIC DEVELOPMENT OF INDIA

67TH BPSM MAINS EXAM

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||GS Paper 2 | Section-2||



INTRODUCTION:

Industrial sector contributes 27.5% share in Indian GDP which was around 15% during independence and is not only necessary for higher growth but also sustainable development. According to Economic Survey 2021-22 Industrial sector have witnessed a sharp rebound from a contraction of 7% in 2020-21 to expansion of 11.8% in 2021-22.

ROLE OF INDUSTRY IN ECONOMIC GROWTH:

1. Provide Employment :

Industrial sector has extended an important contribution in employment. As industries develop, employment opportunities increase. Indian industrial sector is a big employer in the organized sector and employment has increased as a result of establishment of industries. Industries like MSMEs played an important role in absorbing semi skilled labours by providing employment to 11 crore workers in India.

2. Trickle Down Effect :

Growth in industrial sector activates growth in other sectors:

- Development of agriculture : The requirements of agriculture are met by the industries in large. Agriculture requires improved farm machinery, chemical fertilizers and pesticides. It also requires storage and transport facilities. All these are adequately provided by our own industries.
- Development of Science and Technology: Industrial development encourages the development of science and technology. The industrial enterprises conduct research and develop new products. Ethanol in the form of biofuel is an example of industrial development. Industry conducts research on its wastes

and develops byproducts like biodiesel from Jatropha seeds. Due to industrialization, we have made progress in atomic science, satellite communication and missiles etc.

3. Self-sustained growth

- The rapid development of capital goods industries promote the growth of agriculture, transport and communication. It also enables the country to produce a variety of consumer goods in large quantities and at low costs.
- It also eliminates our dependence on other countries for the supply of essential goods.

4. Importance in International Trade:

Industrialisation plays an important role in the promotion of trade. The advanced nations gain in trade than countries who are industrially backward. The underdeveloped countries export primary products and import industrial products. Agricultural products command lower prices and their demand is generally elastic. While industrial products command higher values & their demand is inelastic. This causes trade gap. To meet the deficit in balance of payments we have to produce import substitute products or go for export promotion through industrial development.

5. Fast Growth of National and Per Capita Income:

Industrial development helps in the rapid growth of national and per capita income. The history of economic development of advanced countries shows that there is a close relation between the level of industrial development and the level of national and per capita income.

6. Better Utilisation of Raw Materials:

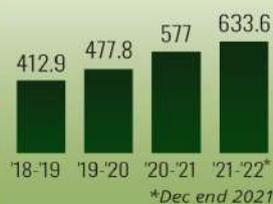
Industries have a greater capacity to utilize resources, as compared to agriculture. Unskilled resources are trained to increase their productivity, and for this purpose, industrial units organize training camps

NEW BATCHES FOR BPSM ARE STARTING FROM 13TH JULY 2022



Foreign Exchange Reserves

In US \$ billion, year end



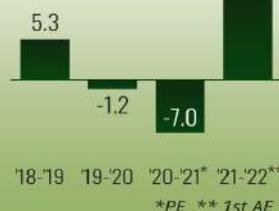
Agriculture, Forestry & Fishing

Growth Rate of GVA at Basic Prices in %



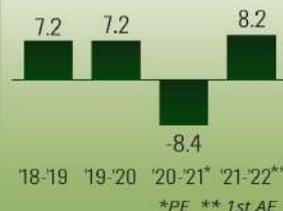
Industrial Growth

Growth Rate of GVA at Basic Prices in %



Services

Growth Rate of GVA at Basic Prices in %



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[[GS Paper 2 | Section-2]]

from time to time, so that complete utilization of resources is made.

7. Increase in Nation's Security :

It is due to the development of industries that we have been able to produce defence equipment and machinery within the country, which saves us from spending valuable foreign exchange on their import.

8. Role in Urbanization :

Industrialization is greatest urbaniser. In terms of urban centres they reduce absolute poverty. According to UNDP report India has pulled out around 25 crore people out of poverty raising job standards in industrial sectors.

9. Innovation and Collaboration:

Rise in R&D further strengthen industries collaboration with Higher Education institutions further promoting plug and play model..

Major Industries in India and their contribution in overall economic development:

- 1. Textile Industry :** This industry covers a wide range of activities ranging from generation of raw materials such as jute, wool, silk and cotton to greater value-added goods such as readymade garments prepared from different types of manmade or natural fibres. Textile industry provides job opportunity to over 45 million (2017-2018) individuals, thus playing a major role in the nation's economy. It has 2 per cent share in GDP and shares 15% of the gross export income in 2017-2018.
- 2. Food Processing Industry :** Food Processing Industry's contribution in the Indian economic growth is vital. The government of India has been encouraging this industry. India's food and grocery market is the sixth largest in the world, and contributes 70% of the sales. So, this industry is called a 'Sunrise Sector'. The important thing is that 1.85 million people work in this industry. It is estimated to expand by 37 million by 2025. Its contribution is around 14% of manufacturing GDP and 13% of India's total food exports.
- 3. Chemical Industry:** India is the third largest producer of chemicals in Asia. Indian Chemical

industry generates around 80,000 commercial goods ranging from plastic to toiletries and pesticides to beauty products. It is regarded as the oldest domestic sector in India. In 2016-17, Alkali chemicals had the largest share in the Chemical industry in India which is approximately 69% share in the total production. Production of polymers account for around 59% of total production of basic major petrochemicals. The future of petrochemical market in India seems to be bright.

- 4. Cement Industry:** Indian cement industry is second largest in the world. India has 10 large cement plants governed by the different State governments. The big cement plants have installed capacity of 148.28 million tonnes per annum whereas the mini cement plants have the total capacity of 11.10 million tonnes per annum. Cement demand is going to touch 550-600 million tonnes per annum by 2025. At present, Indian cement industry is producing 280 million tonnes for meeting its domestic demand and 5 million tonnes for the exports.
- 5. Steel Industry:** Indian Steel Industry is a 400 years old sector. As per the 2018 Report, India ranked second in steel production. It produces 106.5 MT in 2018. The boost in the Indian steel due to availability of raw material in abundance and cost-effective labour.

STATISTICS ON PERFORMANCE OF INDUSTRIAL SECTOR:

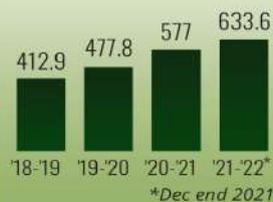
- The leading indicator for industrial performance in the country is the index of industrial production (IIP), which has the base year of 2011-12. India's industrial production increased 1.3 percent year over year in January 2022, up from a downwardly revised 0.7 percent increase in December, but fell short of market expectations of 1.5 percent growth
- On the other hand, Industrial output growth stalled to a halt in January after a 7.8% increase in December 2020.
- Production increased 23.5 percent year over year in 2021

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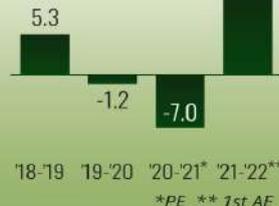
Agriculture, Forestry & Fishing

Growth Rate of GVA at Basic Prices in %



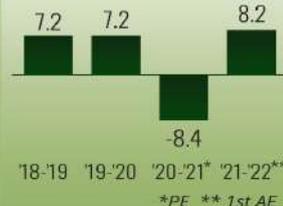
Industrial Growth

Growth Rate of GVA at Basic Prices in %



Services

Growth Rate of GVA at Basic Prices in %



LIMITATIONS OF INDUSTRY IN ECONOMIC GROWTH:

- i. **Disparity between targets and achievements:** Over the planning periods, the achievements of the entire industrial growth were much below the targets, except in 1980's.
- ii. **Under performance of public sector:** During the first four decades of planning period, the growth of public sectors was very high as the government had emphasised more on their development. Even though, these public sectors incurred huge losses, their aim was to maximise the social welfare of the nation.
- iii. **Regional imbalances:** Industrial growth in India is not even in nature. Industries are concentrated in only few states and the remaining states are lagging behind in their performance.
- iv. **Environmental Disadvantages:** One negative byproduct of industrialization is environmental pollution that can adversely impact human health. When companies do not pay for the environmental damage they cause, or when these harms are not captured in pricing, this is considered a negative externality. The cost burden is placed on human society in the form of deforestation, extinction of species, widespread pollution, excessive waste and other forms of environmental degradation.
- v. **Distortions in industrial pattern owing to selective inflow of investments:** In the current phase of investment following liberalisation, while substantial investments have been flowing into a few industries, there is concern over the slow pace of investments in many basic and strategic industries such as engineering, power, machine tools, etc.
- vi. **Declining growth trajectory:** Issues related to capital access and low capital expenditure further hamper credit access to the sector. GVA of industrial sector declined from 32% in 2011-12 to 25% in 2020-21.
- vii. **Bharat vs India:** Uneven industrial growth leading to rise of island of development in ocean of backwardness leading to unsustainable migration

flux. Still 44% of the population is dependent on agriculture for employment.

WAY FORWARD:

- Plug and play facility should be promoted with rise in MoUs for technology transfer.
- Credit access should be promoted by promoting peer to peer lending.
- Promotion of digital infrastructure. And focus should be on IR4.0.
- Reduce logistic costs freight charges.
- Promote labour market flexibility.
- Focus on circular economy for proper utilisation of resources with international collaboration like OSOWOG.
- Focus areas should be leather and footwear gems and jewelry food processing as per National manufacturing policy.
- Projects under DMIC should be completed in time bound manner.
- Capital goods industries also should be strengthened esp in heavy electrical equipment heavy transportation and mining equipment sector.
- Feedback and grievance redressal portal should be setup
- National Infrastructure pipeline should be reinvigorated by addressing supply side constraints.
- Modern industries like semi conductor industries should be strengthened by leveraging capital access.
- Vocational education as envisaged under National educational policy should be stressed upon focusing on skill development and reskilling also should be demand driven with keeping tech development in mind.

CONCLUSION

Industries are the lifeline of any economy and thus has the potential to be harnessed in an efficient manner to realise the dream of making India a \$5 trillion economy. Policy focusing on medium to long term impacts need to be envisaged upon by keeping near term objectives in mind.



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