

# **CHAPTER EIGHT**

## **SUMMARY AND CONCLUSIONS**

## CHAPTER VIII

### SUMMARY AND CONCLUSIONS

#### I CONCLUSION:

Industrialisation is a key factor not only for economic development of a country but also for improving the standard of living of the people. Slower is the growth of industrialisation slower is the economic growth. Realizing this strong relationship, the developed countries of the world have attributed a dominant role to industrial sector and achieved very high rates of growth.<sup>67</sup> India had realized the importance of industrialisation since the inception of planning in 1951. Therefore, India started emphasizing the process of industrialisation since the second five year plan onwards. Over a period, though India has achieved industrialisation, has become self reliant but still it has not tapped its full potential. At the same time industries in the country are not evenly distributed, rather it has concentrated in a few states creating territorial industrial disparity.

It is well known fact that, industries tend to concentrate in a few favourable regions.<sup>68</sup> It may also be noted that, economic progress by the means of industrialisation appears at few favourable points and hence emerges as a powerful magnet for a spatial concentration of economic growth around the initial starting points.<sup>69</sup> Regions which have initial advantages tend to grow at a higher rate than others and new industries tend to concentrate at growing points due to external economics.

Thus, 'growth is necessarily unbalanced'.<sup>70</sup> This is the reason why industrially developed regions, be it states, districts or even talukas attracts more industries, becoming more and more industrially developed, leaving behind the regions which are less industrially developed, which ultimately leads to disparities in those regions.

Once the regional disparities emerge, it continues due to some social, economic, political and cultural factors. There is no perfect mechanism in the process of development, which would ensure parity in the distribution of the benefits of development across the regions. Furthermore, if the disparities are allowed to continue, these may not only affect the overall development of the economy but also may produce

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<sup>67</sup> See Bhandari (1998)

<sup>68</sup> See Hirschman (1958)

<sup>69</sup> See Myrdal (1958)

<sup>70</sup> See Hirschman (1958)

adverse social and economic consequences. Thus, it highlights the need for state intervention.<sup>71</sup> State intervention is always in the form of policies. Uneven distribution of industries is one of the major factors responsible for regional imbalance in the process of development. The government intervenes through industrial dispersal policies.

In order to explain the location of firms and industries, the classical approach of industrial location relies on transport costs as well as labour costs. Later, demand enters in the analysis as a significant factor in determining location choice.<sup>72</sup> However, in practice, locational choice is not only influenced by costs and demand factors but also by personal factors and government policies. Entrepreneurs usually prefer industrially developed regions to locate their firm because of the advantages of external economies of scale.

The state of Gujarat is the second highly industrialized state of India next to Maharashtra. The state is industrially advanced right from its inception in 1960. The government of Gujarat has considered industrialisation as an effective means for economic development and faster growth. For the entrepreneurs, Gujarat is their best destination because of well developed infrastructures, markets as well as due to the industrial agglomeration. In this study it has been analysed that, though Gujarat is industrially very developed, some pockets are highly developed whereas some are not, leading to the disparity.

The study starts with an introductory chapter, wherein the theme, objectives and justification for carrying out the present study are stated. It also explained the hypothesis of the study and methodologies adopted for testing the hypothesis.

The second chapter examined the various regional development theories such as given by Perroux, Myrdal and Hirschman. These theories gave the answer of how and why regional disparity exists. However, none of the theories have given the perfect solution to remove regional disparities. The theories of industrial location as given by Weber, Palander, Hoover, Losch and Isard are also dealt in this chapter. It provides an explanation for preference of the entrepreneurs to a particular region as the location choice for their firm. The second part of the chapter dealt with various studies on industrialisation and regional development in India as well as abroad. It was found that

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<sup>71</sup> See Kumnoor (2007)

<sup>72</sup> Ibid

very few studies are on the state of Gujarat. Furthermore, there is dearth of district and taluka level studies in Gujarat. It is this gap that present study has attempted.

The third chapter examined the various committees, which were set up to identify backward regions by the Central as well as State governments. Several committees at different levels have mentioned the causes and consequences of industrial agglomeration at a place and even suggested industrial dispersal policy as one of the remedial measures. It also highlighted policies adopted in different five year plans to achieve the objective of balanced regional development. The second part of the chapter studied various government policies in different plan periods for the development of the backward regions as well as for the reduction of regional disparities. It also focused on industrial policies adopted by Central as well as State governments over the period with special emphasis on liberalization for industrial development of the economy in general and of backward regions in particular. The main thrusts of these policies have been in the form of provision of fiscal incentives.

In the fourth chapter, the industrial development in different states of India in general and Gujarat in particular were analyzed during the pre and post- reform periods. The study was confined to a period of thirty years from 1980-81 to 2009-10, using five indicators like number of factories, employment, investment, output and net value added. For the analysis, the compound growth rate had been used to measure the growth of industries in a region during the study period. In addition, instability index was also calculated to see whether these growth rates were sustainable or not. On comparing the picture of industrialisation in the pre and post reforms period in terms of growth, it emerged that in terms of number of factories and capital investment all states have shown declining trends in the post reform period. In terms of employment, net value added and output the growth rate has improved in the state of Gujarat, while in rest of the states it has worsened in the post-reform period. Thus, as hypothesized it can be asserted that Gujarat has benefited most from the reforms and Bihar is the least benefited state in the country.

Regarding instability index, it was observed that in terms of number of factories Bihar, Andhra Pradesh and Tamil Nadu have registered high instability index value, while the position of Gujarat was better in the case of number of factories as well as for

output. However, in the case of employees, investment and net value added, Gujarat position is not favourable.

From this analysis, we conclude that during the study period Gujarat had upper hand in almost all parameters. The study highlights a very interesting fact that the states which were relatively less developed in infrastructure were also less industrially developed. This establishes the link between industrial development and infrastructural development.

The high growth rates of industries in the state of Gujarat are due to Chemical & Chemical products, Rubber-Plastic & Petroleum and Metal products. However, during the reforms, it is the Chemical & Chemical products industry, which has been benefited the most. As a consequence, there has been diversification from traditional group of industries like Textile to Chemical & Chemical Products.

Chapter five analysed the impact of industrial policy of the state as well as central government on the regional development of all districts of the Gujarat state. The study was confined to the period from 1980-81 to 2009-10, using the number of working factories, employment in factories and electricity consumption as a parameters to test degree of disparities. Same methodologies as in previous chapter were used. The study had attempted to examine some important aspects pertaining to the level and pattern of industrial development in all the districts of Gujarat during the study period.

It was observed that in Gujarat, industries were not evenly distributed over a geographical area. The study revealed that six districts- Ahmedabad, Vadodara, Surat, Valsad, Bharuch and Rajkot had the highest share of more than two third in terms of number of units, employment and consumption of electricity. On the other hand, Dang, Amreli and Surendranagar, which are industrially backward in all respect, had little share in industries.

The growth pattern of industrialisation in the state revealed that there was an unbalanced and lopsided industrial development in the state. Industrially advanced districts like Ahmedabad is losing its significance in terms of the growth rates and newly industrializing districts like Banaskantha and Sabarkantha gaining momentum in terms of industrial development. Some highly industrialized districts like Surat, Vadodara, Rajkot, although had a better growth of industries but its relative position weakened. However, position of few backward districts like Dang, Amreli, Surendranagar and Panchmahals

have not improved. Thus reforms have not led to harmonized industrial development of all districts in Gujarat.

In terms of instability index, Rajkot and Ahmedabad had shown low index value for the number of factories and Bharuch, Ahmedabad and Rajkot had shown lower index value for workers and employment.

The important findings of the study are that, the state experienced the dispersal of industries from central and south Gujarat to coastal belt of Saurashtra regions. However, overall analysis of this chapter conveyed that there has been an uneven spread of industries in the state.

In chapter six, in-depth analysis of taluka-wise industrial development of the Vadodara district has been done, for a period between 1990-91 and 2009-10. For the analysis, three indicators namely number of registered factories; employment and investment in factories were used. Location Quotient of industries was calculated to find out which group of industries can be the source of future development of the region and thereby reduce industrial disparities. At the same time compound growth rate and instability index were also tested. It was observed that in Vadodara district, which is one of the most industrially developed districts of the state, industries were not evenly distributed regionally. It highlighted that only the fact that talukas Vadodara, Vaghodia and Savli had a share more than eighty percentages in industrial activities, in both Small Scale Industries and Large Industries.

A comprehensive analysis of industrial development in all talukas of the district was done with the help of location quotient of industries. This indicated uneven spread of industrial group in different talukas due to availability of that a particular resource. The analysis found out industrial groups which can be classified as future star and star groups in different talukas, which can be the source of employment generation and future development of that particular taluka.

The growth pattern indicated that, there was an industrial disparity in the Vadodara district. Some talukas were industrially very developed, whereas some were industrially very backward like Kavant and Jetpur Pavi. On the basis of growth, it can be said that only Padra and Chhota Udaipur talukas have shown positive growth rate in all the parameters used, whereas Vadodara taluka in spite of having high concentration have shown negative growth rates in all parameters. This is because of the reason that

industries were spreading from Vadodara taluka to neighboring talukas like Vaghodia and Savli. The industry group-wise growth rate reveals that for registered factories, it was Leather products that have shown the highest growth rate. In case of employment, it was again Leather products which registered the highest growth rate. Whereas Rubber-Plastic & Petroleum had shown highest growth rate in terms of investment.

In terms of instability index, high instability for all parameters was found in Savli, Dabhoi and Sinor talukas, whereas Vadodara, Vaghodia and Nasvadi have shown low instability index value in all the parameters.

In terms of group-wise industrial instability index, the highest was found in Textile and Leather products and the lowest instability index value in Paper & Paper products.

If the growth and instability are analysed together, then it was evident that Vaghodia taluka would be preferred taluka in the district and that Transport Equipments group would generate optimum employment in the district.

From the analysis we conclude that inter-taluka industrial disparity still exists. Therefore, all the talukas have not developed equally in Vadodara district. However, reforms have reduced disparity in the district of Vadodara, as dispersal of industries has been seen in the district.

In the seventh chapter, a similar exercise had been undertaken for Amreli district, using location quotient, compound growth rate and instability index for the analysis of industrial development in Amreli district. It was observed that in Amreli district, which is one of the most industrially backward districts of the state, industries were concentrated in few talukas like Amreli, Dhari, Rajula and Lathi. These four talukas had a share of more than seventy percentages in industrial activities, both in Small Scale Industries as well as Large Scale Industries. This proves that in the district there was an unbalanced industrial development. The analysis also has brought out very interesting fact that, in the district only those talukas were able to develop industrially which had good infrastructure. Nevertheless, the fact is that entire district have poor infrastructure, so major talukas are unable to attract industries there.

A thorough analysis of industrial development in all talukas of the district was done with the help of location quotient of industries. This analysis clarifies that there was an uneven distribution of industrial groups in different talukas of the district. The analysis

found out industrial groups which can be classified as future star and star groups, can be the source of future development of that particular taluka.

The growth pattern indicated that there was an industrial disparity in Amreli district too. From the analysis, it emerged that in all parameters used, Babra taluka had shown positive and higher growth rate and Bagasara taluka had shown lowest growth rate. While in case of group-wise industrial growth rate, Chemical & Chemical products had shown positive and higher growth rate in all the parameters used, whereas Wood & Wood products and Cement & Clay work had shown negative growth rate in all parameters.

Regarding instability index, in terms of factories, low instability index value was found in Amreli and high in Khambha taluka. In terms of employment, low index was found in Amreli and high in Rajula taluka, whereas in case of investment low value recorded in Amreli as well as high in Rajula taluka. Instability index in case of group-wise industry reveals the fact that, in case of registered factories low instability index value found in Food & Beverages and high instability index value found in Chemical & Chemical products. In terms of investment, low instability index value was in Wood & Wood products and high instability index value was found in Basic Metals.

If growth and instability analysed together than it emerges that Amreli taluka would be an ideal taluka for generating employment and Transport equipment group of industries among the groups for generating employment and reducing regional disparity.

From the above analysis, it is apparent that inter-taluka industrial disparity also existed in Amreli taluka. But still reforms have led to the dispersal of industries from Amreli, Lathi and Babra to other talukas; this to some extent had reduced regional disparity in the district.

From the analysis of Vadodara and Amreli district, it was observed that in both the districts, though having different level of industrialisation –disparities are still seen. Nevertheless, in case of Vadodara, few industrial groups have been identified as future star, while in Amreli in almost all talukas we have future star industrial groups. This shows that in the future Amreli has better scope for industrial development.



## II RECOMMENDATIONS:

From the study it has been observed that in spite of the efforts put by the central as well as state governments to reduce regional disparities, the phenomenon of the disparity still exists.

Although the present policy of fiscal incentives has encouraged the growth of industries but still imbalances has not vanished. Therefore, it is necessary to introduce special benefits for those units which are creating relatively more jobs per capital.

Since the pattern of industrial development in each district and taluka is different, there is a need for formulating different policies for different district, for different talukas and for different group of industry. There are certain groups of industries which can be developed in particular taluka/region only; hence there is a need to have selective subsidy system for particular group in particular taluka. For instance, in Vadodara taluka, Paper & Paper products industries should be encouraged by providing specific incentive to this industry rather than all industries.

Further, infrastructural development is an essential pre-requisite for the development of industries. The government should provide good quality infrastructure and can encourage public- private partnership in infrastructural development also

The setting up of DIC in each district of a state has led to development of industries in the district as a whole. It is, therefore, felt that the taluka wise industrial centre with necessary of financial and administrative should be setup in the future for developing targeted group of industries in each taluka. These agencies should also be tasked with the training of people for acquiring entrepreneurial skill.

If such measures are undertaken, then it will go a long way in not only encouraging industrial development but also reduce territorial imbalances.

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