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The Growth of Monopoly in Post Independence in Small Scale Industries in India an Special Reference to Uttar pradesh

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Abstract
During many decades after independence, India was largely an agrarian economy. But for any economy to be globally successful it must have a robust industrial sector. And so for the first seven five-year plans India actively focussed on industrial development through industrial policy formation.
Industrial development is a very important aspect of any economy. It creates employment, promotes research and development, leads to modernization and ultimately makes the economy self-sufficient. In fact, industrial development even boosts other sectors of the economy like the agricultural sector (new farming technology) and the service sector. It is also closely related to the development of trade.
Keywords: *Industrial Development, Strengthening of Infrastructure, Transformation.*

I. Introduction

The Indian economy was in distress at the brink of the country's independence. Being a colony, she was fulfilling the development needs not of herself, but of a foreign land. The state, that should have been responsible for breakthroughs in agriculture and industry, refused to play even a minor role in this regard. On the other hand, during the half century before India's independence, the world was seeing accelerated development and expansion in agriculture and industry - on the behest of an active role being played by the states.

British rulers never made any significant changes for the benefit of the social sector, and this hampered the productive capacity of the economy. During independence, India's literacy was only 17 percent, with a life expectancy of 32.5 years. Therefore, once India became independent, systematic organisation of the economy was a real challenge for the government of that time. The need for delivering growth and development was in huge demand in front of the political leadership - as the country was riding on the promises and vibes of national fervor. Many important and strategic decisions were taken by 1956, which are still shaping India's economic journey.

But just after independence India's industrial sector was in very poor condition. It only contributed about 11.8% to the national GDP. The output and productivity were very low. We were also technologically backward. There were only two established industries – cotton and jute. So it became clear that there needed to be an emphasis on industrial development and increasing the variety of industries in our industrial sector. And so the government formed our industrial policies accordingly.

Control of the State:

One of the biggest hurdles in industrial development was the lack of capital. Private industrialists did not have enough capital to build a new industry. And even if they did, the risk involved was too high. So in 1948, it was decided that state would play the primary role in promoting the industrial sector. So the state would have absolute and complete control over all industries that were vital to the economy and the needs of the public.

Coal, petroleum, aviation, steel etc were all reserved exclusively for the state. The private sector could provide services complementary to those by the state. The public enterprises thus had a monopoly over the markets for many years to come.

Industrial Policy Resolution 1956. During the second five-year plan the industrial policy resolution came into action. The aim was to introduce more private capital int the industry but in a systematic manner. So this resolution classified industries into three categories as seen below,

- First Category: Industries exclusively owned only by the State
- Second Category: Industries for which private sectors could provide supplementary services. These industries would still be mainly the responsibility of the State. And also only the State could start new industries.
- Third Category: The remaining industries which fell to the Private Sector.

While any private company or individual could start an industry falling in the third category it was not that simple. The state still maintained control over these industries via licenses and permits. Every new industry needed a license and many permits from the appropriate ministry. They even needed permissions and permits to expand the present industry.
The aim behind such an industrial policy was to keep a check on the quality of the products. It was also an important tool to promote regional equality, i.e. make sure industries were developed in economically backward areas.

Small Scale Industries:

In 1955 a special committee known as the Karve Committee advised the promotion of small-scale industries for the purpose of rural development. It was believed that since small-scale industries are more labor intensive they would create more employment. Also, the manpower requirement of small-scale industries is semi-skilled or unskilled which was suitable for those times.

However, these small-scale industries cannot match up to large scale industries, So there were special goods and products reserved by the government. These could only be manufactured by small and medium scale industries. Such industries also got financial aid in form of loans and tax and duty breaks.

Strengthening of Infrastructure for Industrial Development:

One of the first requirements for the development of the economy is to improve the infrastructure of the country. The various other sectors of the economy cannot develop without the support of infrastructure facilities like transport, rail, banking communication etc. So to develop these industries the government formed appropriate industrial policies. The development of most of these industries fell to the public sector. Like for example, the rail industry to this day remains firmly in the public sector.

Promotion of Capital Goods Industry:

Capital goods are goods used in the production of other goods. Capital goods are not for direct sale to the consumer. But they are a hallmark of a good industrials sector. So the government decided to focus on the capital goods industry for the development of our industrial sector.

So the Mahalanobis model came into effect in the second five-year plan. The focus here was on heavy industries, especially those that produce capital goods. This was to create a robust capital base for the economy. So industries of heavy metals, chemicals, machine building, tools, electrical etc all saw growth in this period.
Such industries have massive capital requirements. But the government ensured they had enough capital to function smoothly. Soon there was a development of high-tech goods in the market as well.

Capitalist industrialization in India after independence, as pointed out earlier, was one of the specific cases of the larger process of diffusion of industrialization to the Third World that took place in the second half of the twentieth century. In the Indian case, the level of such industrialization and its transformative impact did not match that of some of its counterparts. Nevertheless, Indian capitalism did experience an advance through that industrialization which not only expanded the scale of industrial output but also brought about, like in all Third World industrializes a significant diversification in its structure over time. Indeed, given that Indian industrialization was based on a narrow domestic market, diversification in fact was crucial to the long run expansion of industrial output. With such diversification also increased the technological sophistication levels of lndian industry.

One of the key features of Indian industrialization was its consistent dependence on the diffusion of technology from abroad. The new products, industries and processes that appeared in the Indian industrial sector had their origins in the international process of technological development and change. While the ability of Indian capitalism to handle and operate sophisticated technologies was thus enhanced, it did not acquire the capacity to itself generate significant technological development. Thus while the maintenance of relative autonomy had limited the penetration of foreign capital's direct presence in India, industrial growth and diversification also increased the foreign technological penetration of Indian capitalism.

But an industrialization process based on a successive diffusion of industries from abroad meant that the industrial structure had an inherent tendency towards convergence with that at the international level. Each diversification closed the gap between the structure of industries at the international level and that in India. This had to mean that eventually the process of industrial expansion in India had to mirror that of the international process of accumulation or constitute a niche within it. In either case, constant technological change on a generalized basis, at the same pace at which it :;took""place at the international level;• had to become a necessity for sustaining industrial expansion in the absence of any rapid widening of the domestic market. Indian capitalism's development had to become more crucially dependent on it being able to access the more recent technological developments, and access them recurrently. This meant that it was in the very character of

Indian industrialization that, rather than endowing it with self-sufficiency, it in fact enhanced the degree of its technological dependence, making an increased integration.

The transformation that Indian capitalism had experienced by the end of the 1980s had a dual character. At one level it marked the coming of age of Indian monopoly capital as it acquired capabilities that it did not possess at independence. Collectively, Indian monopoly capital had through the process of industrialization since independence "caught up" with its international counterpart in terms of the industries it operated in, the kind of technologies it handled, the demand pattern it responded to, and the scale of investments it could undertake. These also altered the accompanying structure of monopoly power marked by the closer relationship between monopoly capital and oligopolistic dominance.

But at another level, this coming of age of was also limited to that which had been possible within the historical confines of Indian capitalism, and thus increased the critical minimum dependence on diffusion of technology. This set the stage for the surrender of the relative autonomy of Indian capitalism that had been the basis for that advance. As long as expansion through diversification in a protected market was possible, diffusion of technology and its corresponding requirements of imports and foreign capital penetration was required in relatively limited doses and could be regulated by the State. But a degree of generalized opening up was the precondition for Indian capital to recurrently harness the advances in technology. This then created an impetus in Indian capitalism for an increased integration with international capitalism that was based on its autonomous interests with international capitalism a necessity for Indian capitalism's development.

The emergence of this impetus didn’t signify any fundamental change in the dual character of Indian monopoly capital with regard to its relationship with international monopoly capital. The heightened competition that greater integration inevitably meant was a logical corollary of the need for increased collaboration, and the former only reinforced the latter. The threat posed by increased competition did not act as a major inhibiting factor towards greater integration. Not only had Indian capital within limits acquired some capacity to compete as a result of its development, the exposure to greater international competition only strengthened the tendency towards liberalization by creating an additiona1 need, that of withstanding that competition, for greater 'freedom' being accorded to Indian capital to pursue its strategic imperatives. Thus much of the edifice of State regulation that had been constructed since independence became an anachronism as a result of the very development that it had made possible.

Uttar Pradesh: Industrial Overview & SSI Units

Uttar Pradesh is world’s largest sub-national entity as well as the most populous state in the country accounting for 16.4 per cent of the country’s population. It is also the fourth largest state in geographical area covering 9.0 per cent of the country’s geographical area, encompassing 2, 94,411 square kilometers and comprising of 83 districts, 901 development blocks and 112,804 inhabited villages. The density of population in the state is 473 person per square kilometers as against 274 for the country.

The improved governance has led to an economic revival in the state through increased investment in infrastructure, better health care facilities, greater emphasis on education, and a reduction in crime and corruption. Indian and global business and economic leaders feel that Uttar Pradesh now has good opportunity to sustain its growth & economic development, and as such have shown interest in investing in the state. During the recently held Partnership Summit at Agra, companies notably from The Netherlands showed keen interest in the state. The chairman of the US Indian Business Council (USIB) Mr. Ron Soners said that US is interested in investing in UP and soon a delegation of USIB will be visiting UP in search of investment opportunities. With the record unveiling of 6 policies in one go such as Industrial Investment Policy, Food Processing Policy, Solar Energy Policy, Poultry Farm Policy and IT Policy the environment for investment is all conducive.

Uttar Pradesh is primarily an agrarian economy with more than 60% of the population depends on agriculture for their livelihood. The state is the largest producer of food grain in India and offers a diverse agro climatic condition which is conducive for agricultural production. Uttar Pradesh is known for its highest contribution to nation’s sugarcane basket. However, the state offers excellent investment opportunities for industrial development.

A congenial industrial ambience with the availability of large pool of skilled and unskilled labor force, investor friendly environment, more rationalized and simplified procedure for undertaking industrial investments; make the state one of the favourable destination for undertaking industrial ventures. Proximity of the state to national capital, Delhi is an additional advantage. The state has attracted more than Rs. 49000 crore industrial investment proposals in the last four years However, the share of state in India’s total industrial investment proposals have remained stagnant at around 1% (average 2007-10) during the recent years.

During recent year, the FDI inflows (Kanpur Region) in the state have witnessed impressive growth. However, the region constitutes around 0.1% of the total FDI inflows in India. FDI inflows in Kanpur region has significantly increased by more than double from US$48mn in FY2010 to US$112 in FY2011. The cumulative inflows from Apr’00-Aug’11 stands at around US$300 million.

The small scale industries constitute an important segment of the state economy in terms of employment generation, source of foreign exchange earnings and exports. The favorable government policies coupled with availability of large pool of human resource makes the state one of the best location for setting up SSI units within the state. The state has set up 679703 units, which has generated employment for 2742766 persons and has attracted investment of more than Rs. 12000 crore.

Uttar Pradesh has initiated several schemes for the development of SSIs, such as Transport Assistance Scheme, Technology Up-gradation Scheme and has introduced Single Table System for providing prompt and quick solutions to the entrepreneurs in the state. In addition to this, the state has also implemented Market Development Assistance Scheme to facilitate marketing of products of Khadi and Village industries.

The major crops grown in the state are paddy, wheat, sugarcane, potato, mustard, groundnut, gram, pea and lentil. The state is well established for the export of rice, mangoes, vegetables and potatoes. The state has set up as many 485 fruits and vegetable processing units. Uttar Pradesh has implemented "e-Choupal" model to tackle the challenges faced by the sector through delivering of valued service to the customers. Uttar Pradesh is also one of the major agri-exporting states in the country.

Uttar Pradesh is one of the fastest growing states in India and has shown a healthy growth path during the recent years. The state economy has grown at an average growth of around 6% during the last decade (2000s). Presently the tertiary sector contributes a significant share of around 49% in the GSDP followed by primary and secondary sectors at around 28% and 24% respectively. The state is making considerable efforts for promoting industrial growth by offering gamut of attractive package of incentives and is on its way to rapid industrialization.

The economic policy of the state mainly focuses on agro food processing industries, biotech, tourism, energy and IT. The state offers favourable and conducive milieu for undertaking industrial ventures coupled with availability of skilled and semi skilled labour force, investor friendly policy framework and speedy clearances through web based single window system "Nivesh Mitra". The state provides excellent investment environment and has attracted more than Rs. 49000 crore industrial investment proposals during 2007-12. However, being a land locked state, import of raw materials and export of finished goods bears the additional inland transportation cost which results in augmenting the prices of products. Thus, provision of more cost-effective transportation network for undertaking exports and imports is necessary for providing a favorable environment for industries to undertake profitable and cost friendly activities.

Small Scale Industries constitute an important segment of the state's economy in terms of employment generation, source of foreign exchange earnings and exports. This sector mainly comprises units like handicraft sector, khadi and village industries, handloom and sericulture. However, many of these SSI units have not remained financially viable and have become sick. Thus, state government should come up with integrated approach to facilitate development of SSI units by providing financial assistance, technical knowhow, up gradation of industrial infrastructure and strong backward and forward market linkages. In addition to this, there is also an urgent need to expose artisans to modern technologies and skill development programmes.

UP has also witnessed rapid industrialization in the recent past, particularly after the launch of policies of economic liberalization in the country. As of March 1996, there were 1,661 medium and large industrial undertakings and 296,338 small industrial units employing 1.83 million persons. The per capita state domestic product was estimated at Rs 7,263 in 1997–98 and there has been visible decline in poverty in the state. Yet, nearly 40 percent of the total population lives below the poverty line. There are numerous types of minerals and many industries have come up based upon these minerals. There are a number of cement plants in Mirzapur in the Vindhya region, a bauxite-based aluminium plant in the Banda region and Sonbhadra region. In the hilly regions of the state many non-metallic minerals are found which are used as industrial raw materials. Coal deposits are found in the Singrauli region.

The state is poor in mineral resources. The only considerable deposits are of limestone in Mirzapur district. These are being extracted and are used largely in cement manufacture.

Uttar Pradesh has booming electronics industries, especially in UP-Delhi-NCR and Lucknow-Kanpur Corridor. It produces almost all types of durables.

Cottage industries, such as handloom and handicrafts, have traditionally provided livelihood to a large number of people in the state: -

- Varanasi is a world famous centre of handloom woven, embroidered textiles; the main products are Zari-embroidery and brocade-work on silk sarees. Lucknow is a centre of 'Chikan' embroidery, renowned for its grace and delicacy, a skill more than 200 years old. Uttar Pradesh produces about 15% of the total fabric production of the country, employs about 30% of the total workforce of artisans in India and is responsible for an annual production of about US$1.2 billion in the state.
- The state has two major production centers of leather and leather products, with over 11,500 units; Agra and Kanpur are the key centres. About 200 tanneries are located in Kanpur.

- Moradabad is renowned for brass work and has carved a niche for itself in the handicraft industry throughout the world. Lately other products that are also produced here like iron sheet metalwares, aluminium artworks, wood works and glassware's have also become popular with the numerous foreign buyers and are therefore being exported in large quantities. On an average Moradabad exports goods worth Rs. 30–40 billion each year, which constitutes 40% of total exports from India under this category.
- Meerut is one of the big gold market of Asia. It is the biggest exporter of sports related items and music instruments of the country.
- Kanpur is a metropolitan city, sprawling over an area of 260 sq km. Kanpur is the biggest city of the State of Uttar Pradesh and is main centre of commercial and industrial and educational activities.
- Old name of Kanpur was "Kanhpur" which was a small village at the bank of Holy Ganga. The foundation of Kanpur city was laid by Hindu Singh, a king of Sachendi State. Jajmau is the oldest place of Kanpur District having pre-historical imminence. According to public views, Jajmau was called as a 'Yayatimau', in the name of Pauranik King Yayati which later on became famous as Jajmau. Bithoor another historical and religious place is in Kanpur. Bithoor developed and prospered in the regime of Peshwa Bajirao and his adopted son Nana Saheb Dhodopant. Nana Saheb was awarded the honorary of 'Peshwa' after the victory over British Government.
- The Queen of Jhansi also lived at Bithoor during childhood period. Nana Saheb, Tatyatope, Azimullah Khan, Jwala Prasad, Chandra Shekhar Azad etc. various freedom fighter had seen the dream for India freedom on this spot.

II. Conclusion:

Indian capital's own need for increased integration, and the increased competition that was a corollary of that integration, thus made liberalization of economic policy also its own agenda and not merely a result of external pressures that were no doubt also present. What was •a class necessity would also have been felt as an individual necessity by oligopolistic monopoly enterprises as the necessary basis for the reproduction of their dominance and therefore provided the basis for the self appreciation by the class of that need. This self-appreciation ensured that there was no major resistance from any segment of Indian monopoly capital to liberalization and contributed to giving the process durability.

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