



GROWTH AND EMPLOYMENT DURING PRE-AND POST-REFORMS OF INDUSTRIALIZATION IN INDIA

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ABSTRACT

The aim of the study is pre and post-reforms of industrialization and its impact on economic growth and employment in India. Industrialization is an essential condition of economic progress. India too occupies Top 10 position among industrialized nations on the basis of aggregate production through on the basis of per capita consumption of industrial goods it is bracketed with underdeveloped countries. The process of industrial growth was accelerated in India with the industrial policy resolution of 1956. The industrial sector which possesses a relatively high marginal propensity to save and invest contributes significantly to the eventual achievement of a self-sustaining economy will be continued high level of investment and rapid growth rate of increase in income and industrial employment. In India, Industrial growth has a significant role to contribute GDP and it has also to increase potential employment opportunities. The Objectives of the study is the growth of industrialization in India during the period of (pre and post reforms), to study the employment level in India and its impact of industrialization.

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INTRODUCTION

Industrialization is a sine-qua-none of economic progress. The process of industrialization in which a society or country (or world) transforms itself from a primarily agricultural society into one based on the manufacturing of goods and services. All the rich countries of the world are industrialized countries. India too occupies a position among industrialized nations on the basis of aggregate production, though on the basis of per capita consumption of industrial goods it is bracketed with underdeveloped countries. The process of industrial growth was accelerated in India with the Industrial Policy Resolution of 1956. The Public sector was assigned the responsibility of basic and capital goods industries in a big way and this has paid dividends over the year. The areas, in which private sector was shy to invest due to long gestation period and huge investment were taken up by the public sector. India has become one of the fastest growing economies in the world over the last two decades undoubtedly aided in this

performance by economic reforms. India's economic performance in the post-reforms period has many positive features. The average growth rate of GDP by industries in the ten year period from 1991-92 to 2000-01 was around 5.6 percent it has increased to 7.96 from 2001-02 to 2011-12. The industrial sector which possesses a relatively high marginal propensity to save and invest contributes significantly to the eventual achievement of a self-sustaining economy will continued high level of investment and rapid growth rate of increase in income and industrial employment.

Industrial policy in India

Industrial policy includes procedures rules and regulations that shape the pattern of industrialization. It incorporates fiscal and monetary policies, tariff policy, labour policy and government's attitudes towards the industry. The government of India announces industrial policy from time to time with a view to providing conditions of economic security essential for the growth of industries. The new industrial policy has been in

operation since 1991. Prior to this several policy statements governed the functioning of industries. The major policy which continued to provide the basic framework for the overall industrial policy of the government over the years since mid-fifties was the one announced in 1956. The industrial policy introduced and implemented in the year 1973, 1977, 1980, 1986, 1988 and 1990 were, by and large, based on the 1956 policy which was the first of its kind after independence and also known as the semi constitution of Indian Industrial policy.

Objectives

- The following objectives of the study are
- To the growth of industrialization in India during the period of (pre and post reforms)
- To study the employment level in India and its impact of industrialization.

MATERIALS AND METHODS

This study is based on the secondary data, required the data have been collected from various sources like Reserve bank of India, UNIDO, Department of the Industrial policy & Promotion and Ministry of Finance, government of India. Basically this study was using times series data, collected data will be calculated and analysed by statistical tools.

Hypothesis

Ho: An economic reform is not effective to increasing industrial growth rate

Ho: There is no significant relationship between employment and it impact of industrial Growth

Industrial growth and sharing with GDP

Industrialization is the only tool capable of providing satisfactory and effective solution to the problems of Indian economy. The scope for internal as well as external economics is highest in industrial sectors. During pre and post reforms periods, the industrialization growth has ups and downs by unstable economic such as war, crisis, and natural disaster etc. Ten year of post-independence in India average industrial growth rate has 6.7 per cent per annum and during mid-80s it has to increases 7.2 per cent per annum. The industrial policy resolution led to hold average industrial growth during pre-reforms period. The agriculture dominated pre reform period the industrial sector share to total GDP growth was 23.02 percent per annum during 1960-61 to 1969-70 it has to increase 24.64 per cent per annum and 26.21 per cent per annum during from 1970-71 to 1979-80 and from 1980-81 to 1989-90 respectively. Ten years of under the post reforms, the annual average growth of industrialization was 6.14 per cent it has to increase 7.75 per cent from 2000-01 to 2010-11 but between the period world economy has major changes by global economic crisis it's not major affect in Indian industrial sectors. The post new economic policy industrial and it related sector growth has increased considerably causing India has witnessed major policy changes such as opening up of the domestic economy, foreign direct investment, and large scale private participation in key sectors such as banking, retail, hotel, and communication. It impact after ten year of economic reforms the industrial sector share to GDP growth was 27.43 per cent per annum and it has slightly increased to 27.81 during from 2000-01 to 2009-10 respectively.

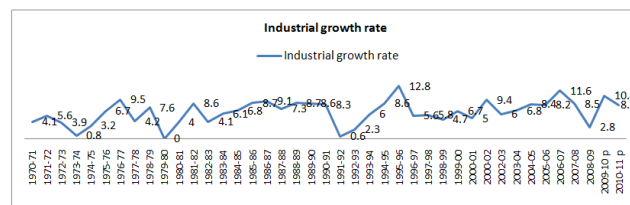


Figure 1. Growth Rate of Industrialization during Pre and Post Reforms Period

Testing of Hypothesis: 1

Ho: An economic reform is not effective to increasing industrial growth rate ‘t’ Test for Paired Sample

	Mean	Std. Deviation
After Economic Reforms period	194.42	54.69
Before Economic Reforms period	147.95	30.28

Before and after their index number of industrial production given the mean after the index number of industrial production is 194.42 with standard deviation of 54.69 and before the index number of industrial production mean is 147.95 with 30.28, and the mean difference of 46.45 is statistically significant.

Paired Differences

Paired t test for public and private employment in Pre and post Reform period

Mean Difference	Std. Deviation	t value	df	2-tail Sig.
46.45	52.87	-3.929	19	.001

The table shows that the t-value, degree of freedom, significance level and 95% confidence interval for the means difference. The t-value of -3.929 for 19 degree of freedom is probably significance. The 2-tailed significance of the test is .001 from the last column titled “2-tail Significance”. This is the ‘p’ value, and it is less than the level of .05 we had set. Therefore we have rejected the null hypothesis at a significance level of .05. Hence the economic reforms affect to increases industrial production it impact the industrial growth also increases during post reforms period.

Industrialization and impact it’s of employment in India

India’s economic growth has improved significantly and placed India as one of the fastest growing economies in the World but growth rate of employment has been declined. In the pre economic reforms the growth of industrialization probably constant level during this period agricultural sector has major role in Indian economy. It has more contribution to GDP and employment while industrial sector also has considerably contributed to GDP and Employment level during pre-reforms period. Particularly the public sectors industries have to provide more employment opportunities for the people. After economic reforms, agricultural growth and contribution has been declined slowly for Indian economy while industrial sectors growth and contribution has been increasing particularly the private sectors has significant role and generate to employment level for the people. The table above indicates employment level in India on the basis of CDS in various rounds of NSS. Generally in the table shows rural employment is greater than the urban causing the work participation ratio in rural side is very high than urban.

Table 1. Employment on CDS basis in various NSS Rounds (in millions)

Year	Rural	Urban	Total	Growth Rate
1972-73	168.65	36.10	204.75	-
1977-78	171.04	42.85	213.88	0.92
1983	187.90	51.59	239.49	2.08
1993-94	238.75	75.18	313.93	2.61
1999-00	251.22	86.97	338.19	1.25
2004-05	277.6	105.2	382.8	2.62
2009-10	285.4	115.4	400.8	0.92

Sources: Various NSS Round Survey

In India total employment has been increasing in every quinquennial round and rural and urban employment also has increasing rate but the growth of employment between every quinquennial round has ups and down. In the year 1999-00 the employment growth rate was declined from 2.61 to 1.25. Because the unemployment rate was above 7.3 per cent in 1999-00 compare to 6.0 per cent in 1993-94 on CDS basis. The total volume in term of person year's unemployment has touched above 27 million in 1999-00. Nearly 74 per cent of them are in rural sector and 60 per cent among them educational. While, the growth of workforce has declined sharper in the rural area falling from 2.5 per cent per annum from 1993-94 to 0.70 per cent per annum in 1999-00. In urban area, however, the decline was loss from 3.9 per cent per annum to 2.32 per cent per annum and also the employment growth rate in 2009-10 has been decreasing it was 0.92 per cent. The decline in employment in the rural area led by a sharp fall in the employment of rural females thus has been a marginal increase in urban employment mainly due to increases in male employment while female employment has come down. During the year 2009-10 66th NSS round survey indicated the rural female workforce was 104.5 million it has declined from 124 million in 2004-05 period.

formation and industrial investment in India. Among the Asian countries, share of public sector in India covering major sectors such as agriculture, manufacturing, banking, and trade was relatively higher than the private investment. Its impact the growth rate of employment in public sector was a good possession from 1971 -72 to 1978-79. During mid of 1970s and 80s the growth rate of employment was generally much lower than the labour force the average growth rate of employment during 1980-81 to 1989-90 was 2.19 per cent per annum and GDP was moving at an average of about 4.3 per cent per annum during 1970 – 1990. The situation of public sectors during post reforms was extremely calamity it was a lesser amount of provides employment opportunity. In the year, 1991-1992 to 1999-2000 average rate of employment was 0.28 per cent it was to decreased -0.77 in 2000-01 to 2009-10, because India has witnessed major policy changes such as opening up of the domestic economy, foreign direct investment, and large private participation in many sectors such as banks, retail, hotels and communication and so on.

The public sector investment was given utmost importance for more than three decades of planning. However, since the liberalization in 1991, India has major economy changes it impact the growth rate of employment in public sector have been declined. The growth rate of employment in public sector during 1970-71 to 1979-80 was 3.45 per cent per annum it was to decrease 2.19 per cent per annum during 1980-81 to 1989-90 but as the same period private sectors employment growth rate was 0.79 per cent per annum it was to decreased 0.45 per cent per annum during 1980-81 to 1989-90. The table above indicate growth rate of employment in private sector during pre and post reforms. The table segregate of each decades for provide clear picture of employment growth in private sector.

Table 2. Growth Rate of Employment in Public Sector

Year	Growth Rate	Year	Growth Rate	Year	Growth Rate	Year	Growth Rate
1970-71	-	1980-81	2.38	1990-91	1.55	2000-01	-0.88
1971-72	5.32	1981-82	5.17	1991-92	0.79	2001-02	-1.93
1972-73	6.07	1982-83	2.89	1992-93	0.62	2002-03	-1.01
1973-74	2.66	1983-84	2.81	1993-94	0.62	2003-04	-2.05
1974-75	3.14	1984-85	2.09	1994-95	0.10	2004-05	-1.04
1975-76	3.18	1985-86	0.57	1995-96	-0.21	2005-06	1.00
1976-77	4.04	1986-87	3.17	1996-97	0.67	2006-07	-1.04
1977-78	3.88	1987-88	0.44	1997-98	-0.72	2007-08	-1.83
1978-79	5.77	1988-89	1.04	1998-99	-0.05	2008-09	0.74
1979-80	-2.95	1989-90	1.40	1999-00	-0.52	2009-10	0.34

Sources: Reserve Bank of India

Table 3. Growth Rate of Employment in Private Sector

Year	Growth Rate	Year	Growth Rate	Year	Growth Rate	Year	Growth Rate
1970-71	-	1980-81	2.16	1990-91	2.17	2000-01	-2.61
1971-72	3.30	1981-82	1.73	1991-92	0.00	2001-02	-0.21
1972-73	-3.57	1982-83	-1.89	1992-93	1.01	2002-03	-2.06
1973-74	0.44	1983-84	-0.41	1993-94	1.61	2003-04	2.37
1974-75	0.59	1984-85	0.94	1994-95	5.29	2004-05	3.65
1975-76	0.00	1985-86	-0.81	1995-96	2.07	2005-06	5.09
1976-77	2.30	1986-87	0.27	1996-97	0.69	2006-07	6.48
1977-78	2.25	1987-88	0.00	1997-98	-0.57	2007-08	4.82
1978-79	1.66	1988-89	0.81	1998-99	-0.58	2008-09	4.33
1979-80	0.14	1989-90	1.72	1999-00	0.00	2009-10	5.24

Sources: Reserve bank of India

Above table indicate the growth rate of employment in public sectors during the pre and post reforms period. The table have been segregate in decades wise for provide clear picture of public sector employment. In early 1970s the tendency of growing shares of public sector in the gross fixed capital

After the reforms, growth rate of employment in private sector has considerably increases. In the year 1990-91 to 1999-2000 the average growth of employment was 1.16 per cent per annum; it has to increase 2.71 per cent per annum during 2000-01 to 2009-10 periods.

Testing of Hypothesis: 2

Ho: There is no significant relationship between employment and its impact on industrial growth. Dependent variable: Index number of Industrial Production

Coefficient of Public and Private sector employment

Variable	B	Beta	t
Constant	-78.039		-1.549
Public sector employment	4.529	.223	1.504
Private sector employment	21.371	.488	3.291

*P < 0.05

The linear regression model shows that the correlation between independent and dependent variables has probably a good relationship. This is influenced by increasing industrial production because the R value is .636 and R² value is .404, which means that 40% of the level of variances have influence on increasing industrial production. From the table above, it indicates public sector employment (t=1.504, P>.05) and private sector employment (t=3.291, P<.05). It shows both are positive relationships, but private sector employment has more influence on increasing industrial production. The model provides information that industrial production is dependent on both public and private sector employment because both are positive. The Beta value for private sector employment is .488, which tells that 48% of private sector employment contributes to industrial production and its F value is 12.877, which is highly significant (P<.05). So, private sector employment is one of the major roles contributing to increasing industrial production in India. While public sector employment has also a positive contribution, it is very low with a Beta value of .223, which tells that 22% contribute to industrial production.

Conclusion

During pre and post reform periods, industrialization's contribution played a major role in the Indian economy and it does not majorly affect both periods until now. Industrialization growth has ups and downs for some crisis periods, but its performance is helpful to development during both pre and post reforms. In India, it is more possible to increase employment growth by industries, but its role during pre-reform periods has been very low in private sectors while it majorly provides employment opportunities in public sectors. The above analysis says the index number of industrial production was at a lower level by employment during pre-reform periods, causing it to be not possible for modern technology, mostly the industries use and

dependent on labourers or workers, so public sectors have massive employment opportunities for production of goods during pre-reform periods. While industrialization generates employment levels during post-reform periods also very well, but the percentage of employment growth from private sectors causing after economic reforms, the government brings major policy changes in internal and external levels, so the private sectors have more dominated in industrial sectors and also increase employment levels among India. Above the linear regression analysis indicated private sector employment is more contribute for industrial production and it's helpful to increase the growth rate.

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