ISSN: 2230-9926

Available online at http://www.journalijdr.com

IJDR

International Journal of DEVELOPMENT RESEARCH

International Journal of Development Research
Vol. 06, Issue, 09, pp.9474-9480, September, 2016

Full Length Research Article

IMPACT OF INDUSTRIAL PATTERN ON INDIAN ECONOMY

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ARTICLE INFO

Article History:
Received 22nd June, 2016
Received in revised form
14th July, 2016
Accepted 26th August, 2016
Published online 30th September, 2016

Key Words:

De-Industrialization,
Capital-Intensive Industries,
Foreign Collaborations, Employment,
Labour Intensive Industries,
Labour Policy, Joint Sector.

ABSTRACT

The paper discusses the impact of industrial pattern on Indian economy and how this pattern is affected by the factors like Conditions for Capital – Intensive Industries non-existent, Labour Intensive Industries, Socialism and Mixed Economy, Public Sector, Private Sector and Concentration of Economic Power, Joint Sector, Foreign Loans, Foreign Investments-Multinationals or Collaborations, Widening Income Disparities, Mounting Unemployment-'Sarkar kal Phir ayen', Waste of resources, De-Industrialization of India and Labour Policy directly or indirectly. The authors have touched the above factors briefly by analysing the data till now as these Industrial factors have shown how we have not reached down-to-earth grass-root planning according to The Father of the Nation

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INTRODUCTION

Industries play an important role in the Indian Economy. Economic development of any nation is totally depends on industries. Without industries, economic development is not possible. A growing industrial sector is crucial to greater economic development and takes in a number of areas as a country develops. Ensuring steady industrial growth helps to compliment and sustain continued economic development. A well developed industrial sector, covering various different areas is vital to the economic development of a country. With a variety of different industrial sectors that feed off each other, a well balanced industrial sector is at the centre of economic development. With a strong industrial base, economic planning becomes less risky, being able to plan ahead also assists industrial growth with profits re-invested into infrastructure development which in turn helps to boost and attract industry. In a backward and developing economy like India, industries are indispensable. Development of industries is not only indispensable for India, but there is also good scope for the development of industries in India. India has many favourable factors for the development of industries.

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Industrialization has a major role to play in the economic development of the under developed countries. Industrialization plays a vital role in the economic development of an underdeveloped country. The historical facts reveal that all the developed countries of the world broke the vicious circle of underdevelopment by industrialization. Pakistan being a developing country also wants to achieve higher standard of living for its masses. It has therefore, embarked upon various programmers of industrialization. The policies of privatization, deregulation and liberalization of the economy are being pursued.

Research Objectives

- To find out the impact of Capital-Intensive Industries on employment opportunities in Indian economy.
- To analyse the impact of foreign investment on the growth of Indian economy.
- To study the impact of private sector on widening income disparities in Indian economy.

RESEARCH METHODOLOGY

The study was explorative cum descriptive in nature. It is an empirical research based upon the secondary data. The

secondary data was collected through study of various academic works in the relevant field.

Impact of Industries on Indian Economy

Capital Intensive Industries: A business process or an industry that requires large amounts of money and other financial resources to produce a good or service. A business is considered capital intensive based on the ratio of the capital required to the amount of labour that is required. Some industries commonly thought of as capital intensive include oil production and refining, telecommunications and transports such as railways and airlines. One of the essential elements for a good investment climate is a conducive industrial-labour relationship. This is an intricate and politically sensitive issue that the Indonesian government has been facing and will face in the future. We note with concern that as the government works to improve roads, ports, electricity supply, government licensing systems and other services for investors, labour relations are getting worse. More frequently conflict over wages and other labour demands are being settled through violence in the streets rather than at the negotiating table. Labour reform through revision of the Labour Law of 2003 is going nowhere. The stalemate between employers and workers will not only inflict higher costs on employers but will also harm Indonesian workers and employment creation in general The huge domestic market and the rising income of consumers are simply too powerful to resist and it seems investors have found ways to overcome higher labour costs. Higher labour costs and the stringent legal requirements for employing permanent workers have driven companies to shift their production methods to a more technology-intensive system that uses less labour for each unit of production. According to the Investment Coordinating Board (BKPM) figures, total investment in Indonesia in 2011 reached Rs 250 trillion (US$27.7 billion), but this investment only absorbed 400,000 workers.

This means it required Rs 625 million of investment just to employ one person. For Indonesia, a country that is in capital deficit, this is hugely expensive. If there are no drastic policy changes, the trend of declining labour absorption will continue. According to the Central Statistics Agency (BPS), the added value of large and medium enterprises has more than doubled from Rs 356 trillion in 2004, to Rs 800 trillion in 2009. Most of this growth came from capital-intensive industries like automotive, chemicals and basic metals that grew annually by 30 percent, 20 percent and 14 percent, respectively. Over the same period, the growth of labour-intensive industries like textiles, footwear and furniture was only between 6-9 percent. The growing capital intensity of Indonesian industry cannot be denied: despite the doubling of value-added of large and medium industries during 2004-2009, the number of workers employed by these industries only increased from 4.3 million people to 4.4 million people. A mere 100,000 workers were added over five years. This happened during a time when around 10 million people entered the work force. There are several reasons why the capital intensity of Indian industry is rising in the long term. The declining labour absorption is taking place because globalization has forced companies to employ more advanced technology in their operations, in order to sustain growth in the face of more competition. The second reason is that political pressure for increasing wages will continue to grow in the future.

Labour Intensive Industries: There has been continuous decline in labor intensity across all the labor intensive industries. Labor-intensity ratio for the selected industries declined from 0.72 in 1990-91 to 0.30 in 2003-04; and the labor- intensity ratio declined not only for capital intensive industries but for labor intensive industries as well in the post-reforms period. The possible explanation for the observed decline in labor intensity (L/K ratio) across all the industries - specifically the labor intensive industries in organized manufacturing - could be that with import liberalization in the early 1990s, access to capital and new technologies became easier and cheaper for developing countries like India. And these new technologies, which have been adopted from developed countries, are by nature labor saving. With increasing competition both in domestic and international markets, Indian manufacturers have installed new sophisticated technologies in their production processes to compete in terms of prices as well as in scale. However, in the absence of a skilled workforce, increasing capital intensity has shown a decline in capital productivity. This can have serious implications for employment since capital is substituting only labor. This seems very plausible when we take into account the fact that manufacturers in a developing country like India always face resource constraints in terms of production cost allocations for different factor inputs.

Labour Laws and Policy: Indian labour laws are highly protective of labour, and labour markets are relatively inflexible. These laws apply only to the organised sector. Consequently, these laws have restricted labour mobility, have led to capital-intensive methods in the organised sector and adversely affected the sector’s long-run demand for labour. Labour being a subject in the concurrent list, State-level labour regulations are also an important determinant of industrial performance. Evidence suggests that States, which have enacted more pro-worker regulations, have lost out on industrial production in general. Downsizing and closure of firms are a fact of life in a market economy. But deliberate non-enforcement of labour laws (or “reform by stealth”, to use Nagaraj’s phrase) without instituting adequate social protection mechanisms or retraining facilities is hardly the way to deal with the problem. A pattern of trade liberalization that deflects the costs of adjustment from the powerful to the powerless has made things worse. And although there are several *theoretical* (even common-sense) arguments in favour of greater labour flexibility, there are also some in favour of restrictions on flexibility (on grounds of economic efficiency, not just concern for workers).

Industrial sectors of the Economy: At the time of independence, India was backward and underdeveloped – basically an agrarian economy with weak industrial base, high rate of unemployment, low level of savings and investment and near absence of infrastructural facilities. Indian economy needed a big push. This push could not come from the private sector because of the lack of funds and their inability to take risk with large long-gestation investments. As such, government intervention through public sector was necessary

for self-reliant economic growth, to diversify the economy and to overcome economic and social backwardness. The public sector has been playing a vital role in the economic development of the country. Public sector is considered a powerful engine of economic development and an important instrument of self-reliance. At the time of independence, there existed serious gaps in the industrial structure of the country, particularly in the fields of heavy industries such as steel, heavy machine tools, exploration and refining of oil, heavy Electrical and equipment, chemicals and fertilizers, defence equipment, etc. Public sector has helped to fill up these gaps. The basic infrastructure required for rapid industrialisation has been built up, through the production of strategic capital goods. In this way the public sector has considerably widened the industrial base of the country. Public sector has created millions of jobs to tackle the unemployment problem in the country. Public sector accounts for about two-thirds of the total employment in the organised industrial sector in India. By taking over many sick units, the public sector has protected the employment of millions. Public sector has also contributed a lot towards the improvement of working and living conditions of workers by serving as a model employer. Public sector undertakings have located their plants in backward and untrodden parts of the county.

These areas lacked basic industrial and civic facilities like electricity, water supply, township and manpower. Public enterprises have developed these facilities thereby bringing about complete transformation in the socio-economic life of the people in these regions. Steel plants of Bhilai, Rourkela and Durgapur; fertilizer factory at Sindri, are few examples of the development of backward regions by the public sector. Apart from generation of internal resources and payment of dividend, public enterprises have been making substantial contribution to the Government exchequer through payment of corporate taxes, excise duty, custom duty etc. In this way they help in mobilizing funds for financing the needs for the planned development of the country. In recent years, the total contribution from the public enterprises has increased considerably, between the periods 2002-03 to 2004-05 the contribution increased by Rs 81,438 crores on the average. Some public enterprises have done much to promote India's export. The State Trading Corporation (STC), the Minerals and Metals Trading Corporation (MMTC), Hindustan Steel Ltd., the Bharat Electronics Ltd., the Hindustan Machine Tools, etc., have done very well in export promotion. The foreign exchange earnings of the public sector enterprises have been rising from Rs 35 crores in 1965-66 to Rs 42,264 crores in 2004-05. Some public sector enterprises were started specifically to produce goods which were formerly imported and thus to save foreign exchange. The Hindustan Antibiotics Ltd., the Indian Drugs and Pharmaceuticals Ltd. (IDPL), the Oil and Natural Gas Commission (ONGC), the Indian Oil Corporation Ltd., the Bharat Electronics Ltd., etc., have saved foreign exchange by way of import substitution. In addition to the above, the public sector has played an important role in the achievement of constitutional goals like reducing concentration of economic power in private hands, increasing public control over the national economy, creating a socialistic pattern of society, etc. With all its linkages the public sector has made solid contributions to national self-reliance. To sum up, the expansion of the public sector was aimed at the fulfilment of our national goals, viz., the removal of poverty, the attainment of self-reliance, reduction in inequalities of income, expansion of employment opportunities, removal of regional imbalances, acceleration of the pace of agricultural and industrial development, to reduce concentration of ownership and prevent growth of monopolistic tendencies by acting as effective countervailing power to the private sector, to make the country self-reliant in modern technology and create professional, technological and managerial cadres so as to ultimately rid the country from dependence on foreign aid. The private sector of Indian economy is the past few years have delineated significant development in terms of investment and in terms of its share in the gross domestic product.

The key areas in private sector of Indian economy that have surpassed the public sector are transport, financial services etc. Indian government has considered plans to take concrete steps to bring affect poverty alleviation through the creation of more job opportunities in the private sector of Indian economy, increase in the number of financial institutions in the private sector, to provide loans for purchase of houses, equipments, education, and for infrastructural development also. The private sector of Indian economy is recently showing its inclination to serve the society through women empowerment programs, aiding the people affected by natural calamities, extending help to the street children and so on. The government of India is being assisted by a number of agencies to identify the areas that are blocking the entry of the private sector of Indian economy in the arena of infrastructural development, like regulatory policies, legal procedures etc. The most interesting fact about the private sector of India economy is that though the overall pace of its development is comparatively slower than the public sector, still the investment of private sector in the recent past, i.e. in the first quarter of 1990 registered approximately 56 % which rose to nearly 71 % in the next quarter, accounting for an increase of 15 %. Certain steps taken by the Indian government are acting as the stepping stone of the private sector continued journey to success, include industrial delicensing, devaluation that was implemented previously.

The private sector of Indian economy is also adversely affected by the huge number of permits and enormous time required for the processing of documents to initiate a firm, however the central government has decided to abolish MRTP Act and incorporate a Competition Commission of India to bring the public sector and the private sector at the same platform. The participation of the private sector of Indian economy is desired by the government of India for infrastructural development including specific sectors like power, development of highways and so on. As the contribution of public sector in these sectors have been arrested due to the shift of the attention of the Indian government to issues like population increase, industrial growth. The main reasons behind the low contribution of the private sector in infrastructural development activities are that: The small and medium scale companies in the private sector of Indian economy suffer from lack of finances to welcome the idea of extending their business to other states or diversify their product range. The private sector of Indian economy also suffers from the absence of appropriate regulatory structure, to

guide the private sector and this speaks for its unorganized framework. The unorganized framework of the private sector is interrupting the proper management of this sector resulting in the slowdown of its development. Apart from curbing and preventing furtherance of concentration of economic power, it would be possible to use the joint sector for promoting social objectives such as promotion of industries in core sector, maintenance of price level, development of exports and encourage investment in research and development to improve future technological capabilities which might not have been actively pursued by the private sector without state participation. Thus, the joint sector was viewed as a tool for social control over industry without resorting to nationalisation.

In 1973, Government clarified the policy regarding participation of large industrial houses and foreign companies in the joint sector projects. It was stated that the joint sector will not be permitted to be used for the entry of larger houses, dominant undertakings and foreign companies in industries in which they are otherwise precluded on their own.15 As originally formulated, the joint sector was expected to be an effective instrument of controlling monopolies and concentration of economic power. In practice, however, the objectives had got diversified and states particularly appear to have treated this as a means of attracting industries to their respective areas. The Central Government after issuing the letters of intent/licences to the states, had practically kept itself outside this sector. Besides frequent complaints against the Central Government for neglecting the interests of particular states, especially those ruled by the opposition parties, there has been competition among the states to offer more and more attractive packages to private entrepreneurs and large industrial houses to set up industries in their respective states. It is apparent that state governments, though they were bound by the industrial policy as framed by the Central Government from time to time, did not share the philosophy with regard to containing concentration of economic power, irrespective of whether these were ruled by the same party in power at the centre or not.

Resource Mobilization: A major problem for the Indian economy has been the low level of savings which restricts investment. Further, not all the savings go into financing industry. It is the Government's endeavour to mobilize resources from various sources so that the pace of industrialization is quickened. The Government's catalytic role in joint sector enterprises is expected to have a multiplier effect in terms of mobilizing investible resources from the rest of the economy.43 The state developmental agencies, particularly the SIDCs, by identifying industrial projects, can promote mobilization of local savings and channelize it into productive investments. To achieve this objective, the states would seek to make optimum use of both financial and human resources and skills. In this context, the joint sector concept provides an opportunity to various developmental agencies to make use of the available technical and managerial expertise at the regional or local levels. Direct mobilization of savings from the public for investment purposes takes the form of subscriptions to public and rights issues of capital and debentures. To understand the importance of joint sector in mobilization of resources from the public, we have examined the share of this sector in public issues from 1976 i.e., almost from the time when the joint sector as a policy instrument got wide acceptance.

Foreign Loans: Foreign banks are fuelling India's recent burst of overseas takeover bids, offering cheap U.S. dollar loans to corporates hungry to expand beyond their home state. The stream of financing offers from banks such as Standard Chartered, Citigroup and Deutsche Bank comes after some U.S. and European lenders pulled back from the Indian market last year as the country suffered through an economic slump. Bankers said lenders were taking advantage of a window of opportunity that exists while monetary policy remains loose, before any scaling back of abundant liquidity by the Federal Reserve and other central banks raises their cost of funding. Indian companies are bidding for at least $10 billion worth of deals and, if successful, the outbound M&A volumes this year would rise to $13 billion, the highest since a record year in 2010, Thomson Reuters data show. At least one of these takeover attempts has hit roadblocks. But the revival of M&A activity is good news for foreign investment banks operating in the country, which for years have struggled with wafer-thin margins. The aggressive lending from Wall Street is similar to the bank loans fuelling deals in Southeast Asia. Indian companies have not had it easy over the past few years. A weak demand environment, rising input costs and regulatory hurdles has brought down corporate profitability. Faced with a liquidity crunch and high cost of borrowing at home, a large number of companies decided to go abroad for cheaper loans. With the government raising the cap for overseas borrowing, these companies did not hesitate to load up on cheap foreign currency-denominated debt in the form of external commercial borrowing (ECB) and foreign currency convertible bonds (FCCB) to fund their activities.

Now, this overseas borrowing binge is set to return to haunt the corporates. With the rupee sliding in value, these so-called cheap loans have turned prohibitively expensive. Let us consider the companies that have been burdened by foreign debt and gauge the impact of the rupee's fall on their books. According to a study by Crisil, Indian companies hold nearly $200 billion worth of loans in foreign currency. Only half of this debt has been hedged, which means that India Inc is exposed to currency fluctuations in $100 billion worth of foreign loans. If the rupee continues to be weak, the companies will have to shell out more rupees for the same amount of dollars raised abroad. This means that the interest outgo will go up sharply. Typically, firms hedge the currency exposure up to one year, but even those with hedged positions will have to bear a higher cost for rolling over their positions. So far, these companies have managed to roll over their foreign borrowings owing to the easy liquidity conditions maintained by the US Federal Reserve. However, with the imminent threat of tapering of the Fed's liquidity stance, the resulting drying up of the inbound money may put further pressure on the rupee and added burden on Indian companies to pay the foreign debt. A sizeable portion of this is set to mature by the end of the current fiscal year, which poses a big problem for corporates. It is a double whammy for the companies that also import raw material from abroad, and have no natural hedges in terms of foreign revenue or assets. The rupee's depreciation will result in higher input costs as well as higher spend on the interest

payment for foreign loans. The worst affected will be companies in sectors like automobiles, auto components, metals, airlines and energy. The risk for state-owned oil marketing companies (OMCs), which have very high foreign currency loan exposure, is perhaps the most. The Indian Oil Corporation, Hindustan Petroleum Corporation and Bharat Petroleum Corporation had over 50 per cent of their total debt in foreign currencies as on 31 March 2013. Even though regular hikes in the diesel price have reduced the under-recoveries for these entities, introducing a further price rise will prove increasingly difficult.

The continued weakness in the rupee, without the accompanying price hikes, will pose a problem for these firms. Typically, for every Rs 1 fall in the value of the rupee, the under-recovery (amount by which the revenue falls short of actual cost) for the oil marketing companies rises by Rs 6,500 crores. Foreign Investment in India or more precisely Foreign Direct Investment (FDI) in India is one of the most talked about issues in the entire world economy in recent times. Rated among the top emerging nations, India's liberalization policies are paying rich dividends to the economy as a whole. Foreign Direct Investment (FDI) is defined as "investment made to acquire lasting interest in enterprises operating outside of the economy of the investor." The FDI relationship consists of a parent enterprise and a foreign affiliate which together form a Trans-National Corporation (TNC). India, post liberalization, has not only opened its doors to foreign investors but also made investing easier for them by implementing the following measures: Foreign exchange controls have been eased on the account of trade. Companies can raise funds from overseas securities markets and now have considerable freedom to invest abroad for expanding global operations. Foreign investors can remit earnings from Indian operations. Foreign trade is largely free from regulations, and tariff levels have come down sharply in the last two years. While most Foreign Investments in India (up to 51 %) are allowed in most industries, foreign equity up to 100 % is encouraged in export-oriented units, depending on the merit of the proposal.

In certain specified industries reserved for the small scale sector, foreign equity up to 24 % is being permitted now. As the industry progresses, opportunities abound in India, which has the world's largest middle class population of over 300 million, is attracting foreign investors by assuring them good returns. The scope for foreign investment in India is unlimited. India offers to foreign investors a well balanced package of fiscal incentives for exports and industrial investments that includes: Complete tax exemptions. Investment incentives are offered by both the Central Government and the Government of the State in which the unit is located. India has tax treaties with 40 countries. Moreover, the support of the common man regarding FDI< is clearly from the sharp hike in India's gross expenditure in the past few years. Thus the Indian economy is proving itself highly conducive to Foreign Investment. Trade and inflow of investment are expected to boost employment in a labour abundant developing country like India in two major ways: by accelerating the growth rate and by exports based on comparative advantage as well as investment in labour intensive sectors. The trade regime till two decades back was characterised by protection and restrictions. Similar policies had governed the inflow of foreign investment as well. These policies protected employment in industries, but at the same time engendered inefficiency in production and restricted faster growth of sectors with comparative advantage and potential for larger, productive employment generation. Policies have undergone a sea change particularly since 1991. In the realm of trade and investment, the new policies are characterised by a rapid reduction in tariff rates, removal of quantitative restrictions and opening up of most sectors for foreign direct investment and permission for portfolio investments and automatic approval for up to 100 per cent foreign equity in certain areas. These policy changes are, of course, a part of the reforms towards India's efforts to become a partner in the process of globalisation with a view to achieving a faster economic growth in which exports with a comparative advantage are expected to play an important part. Employment generation is not obviously the direct aim of these policies of liberalisation, but it is understood that higher growth and larger exports resulting from them would lead to employment growth. An important way through which trade and investment liberalisation can lead to higher growth of jobs is a shift in the export base from primary commodities to manufactures and modern services. Also, international competition would induce identification and development of distinctive comparative advantage which would obviously imply growth of exports of labour intensive products and services. At the same time, some negative implications of trade liberalisation cannot be ruled out. In the initial period of trade liberalisation, the competition could lead to decline and restructuring of enterprises in some of the hitherto protected sectors, resulting in redundancies and unemployment. There are also apprehensions that in the medium term there could be a qualitative deterioration in employment along with possible quantitative expansion, as most jobs are likely to be created in the unorganized sectors where earnings, job security and social protection are at low levels.

Widening Income Disparities: India is a heterogeneous country. Policy makers should be held accountable when heterogeneity leads to inequity in opportunities to earn income. Equality of income distribution might not always lead to equity. Equality is a positive concept that describes a state of distribution but without indicating whether this distribution is "good", or "bad". On the other hand, equity is a value judgment made on distributive mechanisms and outcomes, using the principle of justice. Thus, a "fair" income distribution usually refers to an income distribution that conforms to a commonly accepted principle of justice. From the policy perspective, one should worry about existence of market imperfection leading to inequity, as opposed to inequality. Inequality (in terms of income earned) can primarily be due to circumstantial reasons or policy failure. Circumstantial reasons are exogenous and cannot be controlled by policy measures. Examples of circumstance-led poverty are because of (a) caste, (b) natural disasters, (c) gender and (d) wars. For example, people born in some lower caste in India (scheduled tribes or scheduled castes) are most likely to start with limited opportunities to participate in the market, and hence have a lower steady state level of income (i.e., poor). Backwardness in certain areas in Gujarat, Madhya Pradesh, Bihar and Orissa, are explained by the preponderance of lower-caste people living in those areas. Inequality can also

persist because of policy failures. It happens primarily because of a lack of access to education and basic healthcare, unequal distribution of productive assets (land, livestock etc.), a lack of legal empowerment among the vulnerable section of Inequality can also persist because of policy failures. It happens primarily because of a lack of access to education and basic healthcare, unequal distribution of productive assets (land, livestock etc.), a lack of legal empowerment among the vulnerable section of the population, and corruption.

In addition, inefficient and corrupt bureaucracies raise transactions costs in the asset market that is important for the poor, in addition to reducing interregional mobility. These factors are particularly true not only for India but also for other countries. In a cross-country study, Mauro (1995) suggested that corruption was more prevalent in low-income countries, and that reducing corruption would have a positive influence on investment rates (an increase of around 5 per cent) as well as the overall gross domestic product growth of a region. Thus, there is a broad consensus about India being heterogeneous and unequal in terms of opportunities to earn income. However, what is debatable is whether this notion of heterogeneity has changed over time. In particular, it is interesting to examine the factors responsible for changing or not changing the underlying income distribution functions. There is great diversity of income sources within Indian households. Nearly 50 per cent of the households receive income from more than one source. Implications of this diversification require careful consideration. On the one hand, income diversification provides a cushion from such risks as crop failure or unemployment. On the other hand, the role of income diversification may depend on the nature of diversification. Where households are able to obtain better paying salaried jobs, diversification may be associated with higher incomes.

Where poor agricultural productivity pushes household members into manual wage work, such as construction, the income benefits may be limited. Access to salaried income is one of the primary axes that divide Indian households. Households in which at least one adult has a job with a monthly salary are considerably better off than households that rely solely on farming, petty business, or casual daily labour. Unfortunately, only 28 per cent of households can claim access to salaried jobs. This suggests that access to salaried jobs and education (a prerequisite for salaried work) is a major source of inequality in household income. Poverty diminishes substantially with household education. Only 7 per cent of the households in which an adult has a college degree are in poverty range, compared to 38 percent for those with education below primary school. Combined with the high incomes for the well educated households, reported earlier, this observation reinforces the importance of education in providing livelihoods and raising families out of poverty. While poverty rates are associated with household income and consumption, unlike them they take into account household size. Hence, although poverty is concentrated in households in the lowest income and expenditure quintiles, 9 per cent of individuals living in households in the highest income quintile and 2 per cent in households in the highest consumption quintile are poor. Adjustment for household size also changes the social group position.

Conclusion and Recommendations

At the macro level, the pattern of industrialization exacerbated the negative implications for poverty, unemployment, inequalities and national self reliance, despite impressive growth of heavy industries and creation of indigenous industrial capabilities. This kind of industrialization made India a victim of external debt trap and increased the clout of the large industrial conglomerates and their foreign counterparts for attaining and sustaining a high rate of growth of this kind of industrialization. Owing to the still persistent need to import technology and intermediate inputs this pattern of industrial growth became a factor worsening our terms of trade vis a vis our major trading partners mostly the rich western countries. With very limited employment contribution and given the displacement competition imposed on the surviving traditional industries, this pattern of industrialization made no positive impact on the overall employment situation in the country. Increasing disparities in income and emergence of monopolies on the one hand and increasing unemployment on the other are largely the result of increasing mechanization and automation of manufacturing industries, construction and services- emphasis on capital intensive projects and industries on the one hand and neglect of cottage industries and other labour intensive enterprises on the other. The fundamental fact of the Indian economy today is that there is a microscopic but powerful minority which systematically diverts huge real resources from provision of basic minimum needs to the poor to building up, maintaining and expanding modern facilities for the affluent. Even foreign aids have been consistently used to boost the living standards of this minority. The adoption of the socialistic pattern of society as the national objective, as the need for planned and rapid economic development require that all industries of basic and strategic importance which are in the nature of public utility services should be in the public sector. The state therefore has the direct responsibility for future development of industries over a wide area.

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