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INDUSTRIAL DEVELOPMENT IN MADHYA PRADESH : A CASE STUDY IN THE PROCESS AND PATTERN OF INDUSTRIALISATION IN INDIA

JAGDISH SINGH, Gorakhpur

ABSTRACT : The objective of the papar in to analyse the process and pattern of industrial development in Madhya Pradesh on the basis of the industrial employment data for the sake of understanding the industrialisation and into efficacy in eliminating the distortions in space economy for the country as a whole. The analysis brings out a very uneven temporal and spatial, distribution of industrial employment created through the faltering plans. A little diversification of the industrial stucture has been the product of the efforts made in the public sector. A comparison with the rate of industrial growth in other states makes in clear that M. P. which is edowred with rich natural resources and has cross road location in the country, has made little progress in industrialsation. The multiplier effect of the big plants already set up is quite limited and linkages with other medium and small scale industries in the private sector are very weak. Policy implications of this state of industrial development have been given in the end.

India embarked on an ambitious programme of industrialsation after independence. She has attained a fair degree of sucess in this regard, now ranking as the tenth most industrialised nation in the world. The main thrust of her industrialisation has been on the creation of a base of capital goods industries through import substitution policy. Subsequently, export promotion has also been actively pursued. The industrialisation programme has been undertaken not as an end in itself but as a means for eliminating the distortions in the space economy. The backward but resource endowed regions like those of Bihar, Orissa and Madhya Pradesh have naturally been more favoured with the location of new large scale industries.

A study of the pace of industrial development of MadhyaPradesh throws light on the process and pattern of industrialisation in the country as a whole. Madhya Pradesh is the largest state in India in terms of area and the sixth largest with regard to population (94/sq. km.) much below the average for the country (177). It is richly endowed with natural resources like forest, mineral and power. Enjoying a central location within the country, a greater part of it has the benefit of cross-road location with regard to the trunk routes. Therefore, it should have attracted a considerable number of large scale industries and made spectacular strides under the above outlined policy having specific objective of correcting regional imbalance with inbuilt bias towards such industrially under developed but potentially viable regions.

The objective of the paper is to make a thorough analysis of the process of industrial growth in the state in order to find out how far has this state gained from the process of industrialisation in the country during the last three decades and whether the sectoral and spatial distortions in the states' economy have any tendency to even out.

The Data Base

In order to analyse the process of industrial development in the state data pertaining to industrial employment published by the Directorate of Industries, M. P., have been used, as this is the most reliable indicator of the industrial growth. The available data relating to number of factories or amount of investment would be misleading. The former conceals a great measure of size discrepancy, while the latter lacks consistency owing to the changing value of Rupee as a result of inflation. More over, the capacity of the industrial sector to generate employment makes it possible to evaluate the efficiency of the industrialisation process in ameliorating the dismal economic situation of the people, the ultimate objective of industrialization as a means of economic development. The industrial employment in the state has been subjected to a closer study by grouping the data according to the significant periods of industrial, and for that matter, economic development in India, particularly after Independence.

The Industrial Growth

It is well known that India inherited a dual economy from the Britishers with almost all the industrial activities concentrated around the metropolitan centres of Bombay and Calcutta. Fig. 1 shows that before 1951 the industrial establishments in M. P. were such that were attracted by the rich raw materials, agricultaral, forest products and limstone. The manufacture of some defence equipments and related metal and engineering establishments at Jabalpur were the only exceptions. The factories were highy concentrated in the north-western sector around Indore and Ujjain. This was so because this area provided cotton and other agricultural materials like oilseed in in surplus, and was located nearest to Bombay with good rail connection. Rajnandgaon located on the Bombay-Howrah trunk route in eastern M. P. used the surplus cotton of Chattisgarh. Similarly Gwalior in the extreme north was also a major textile centre. This situation existing in 1951 provides a bench mark for studing the subsequent pattern of industrial development in the state. The industrial policy resolution 1948 was already announced and the first Five Year Plan was launched in that year. The impact of the Govt's industrial policy and the Five year plans on the industrial growth in the state can be fully appreciated with this background.

Industrialisation in the state progressed little during the First Five Year Plan period. The state made little headway in this regard during this period. This was mainly because this plan did not lay much emphasis on the industrial development in the Public Sector while the private enterprise was still diffident to move out of the established sectors and centres of industries. The total industrial employment created during the period amounted to a meagre 3,726.

With the clear enunciation of Govt's industrial policy in 1956 and the ambitious industrial development plan launched by the Govt. in the public sector with emphasis on creating a sound base of basic industries together with a clear policy of decentralization, M. P. got a big boost in industrial development in the shape of Bhillai Steel Plant. Not only the so far deprived eastern part of the state get a big share in the industrial employment but also the industrial base of the state became a little diversified. A newsprint factory was established at Nepanagar during this period. With only eight new industrial units the employment created in the industrial sector totalled 50,179, all time record for a brief span of

five years.

The Third Five Year Plan accounted for the opening of twenty nine large scale industrial units with a total additional employment of 33,767. The most significant among the industrial units opened was the Bharat Heavy electricals at Bhopal that alone created an emploment of 19,703. A significant feature of the indnstrial growth during this period was the further diversificatino of the industrial structure by the establishment of engineering, metallurgical and electrical industries.

After 1966 there has been a slackening in the growth of industrial employment in the state. During the next five years (1966-

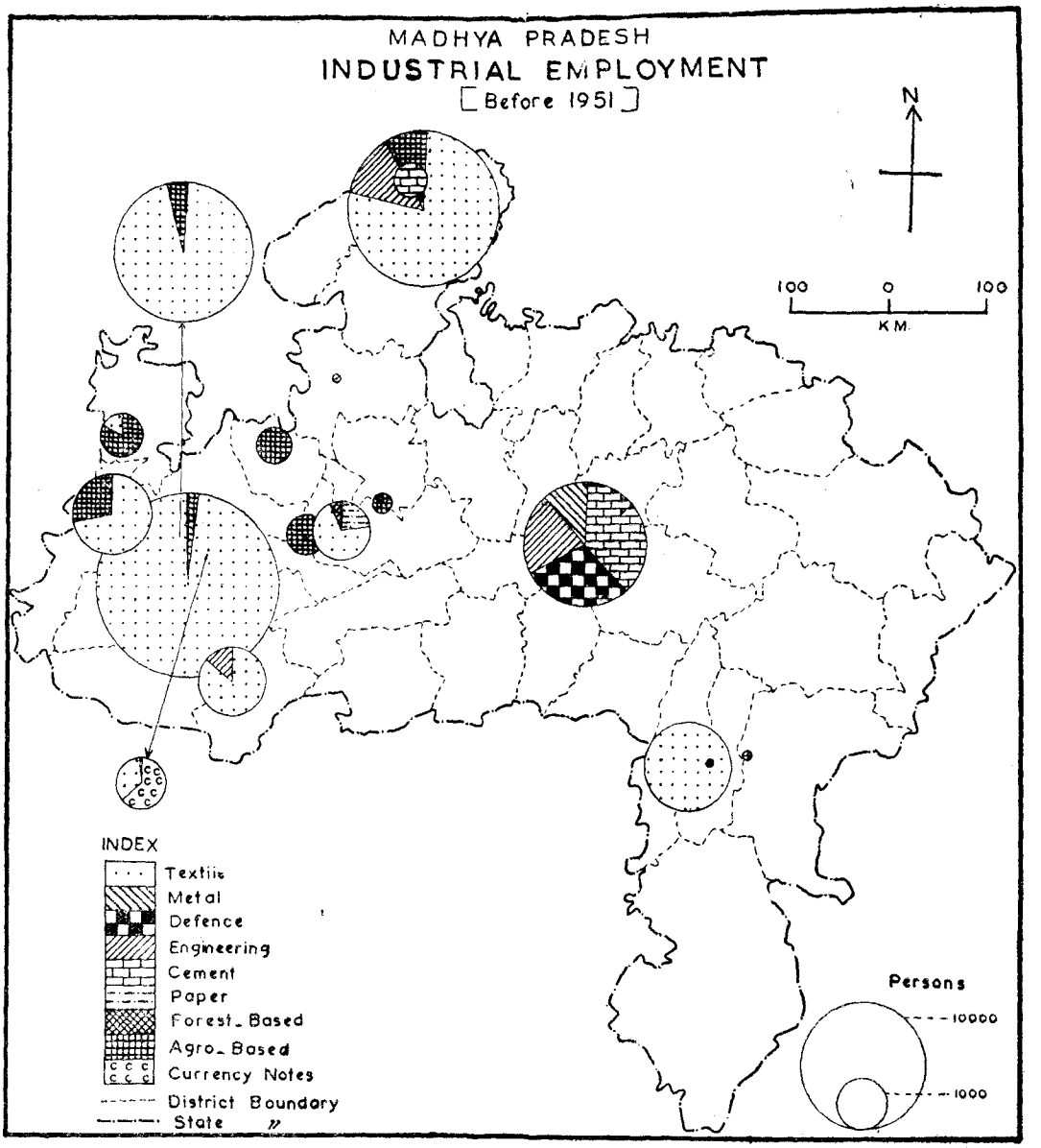

Fig. 1

71) the additional employment created in the large scale industrial sector was a meagre 5,313 i. e. hardly 15 per cent of that created during the third Five Year Plan. The succeeding five year period 1971–76 added 15,939 hands to the industries, hardly 50 per cent of what was added during the third plan.

Changes in Industrial Structure

The industrial structure was, of course, a little more diversified with more additions of industrial units manufacturing metals, electrical and engineering goods, chemicals, and general consumer products. The areal concentration of industries was nevertheless accentuated as the industrial centres already established by the end of the third plan period captured almost all the new industrial units appearing during the period that followed. Thus, Indore, Ujjain, Bhopal, Durg Raipur, Jabalpur and Gwalior have emerged as industrial complexes and the rest of the vast expanse of the state has only isolated factories scattered here and there, as is evident from the following table :

Table-I

Region	Percentage of Industrial Employment
1. Durg-Raipur	30.8
2. Indore-Ujjain	20.79
3. Bhopal	12.19
4. Gwalior	8.83
5. Jabalpur	6.12

Another important feature of the industrial development in the state is the dominance of the public sector undertakings by 1951 only 24.34 per cent of industrial employment was accounted for by the Government undertakings. By 1976 the share of public sector in the toal industrial employment rose to 75.67 per cent. It is obvious that the industrial growth in M. P. after independence owes largely to the Govt's efforts. Private enterprise has shunned the state by and large.

The industrial structure of the state has also undergone significant change during this period. In 1951 textiles dominated the industrial scene of the state with 82.4 per cent total employment in the large scale sector. Defence, other agro-based and cement industries accounted for a little over 4 per cent each. By 1977, this structure changed radically. Textiles accounted for only 32. 1 per cent of the total employment while metallurgical, mainly steel, engaged 34.5 per cent of the total industrial workers. Electrical goods provided employment to 12 per cent of the workers in the large scale industrial sector. The share of cement remained static at 4.3 per cent. Forest based industries and chemicals which were insignficant in 1951 claimed over 4 per cent each of total industrial employment. This change in the industrial structure again underlines the singular role of public sector undertakings viz. Bhillai steel plant, Heavy Electricals, Bhopal and paper factories at Nepanagar and Hoshangabad, in augumenting the industrial employment. Inset in fig. 2. showing the trend of growth in industrial employment reveals that whatever growth the state has witnessed during 1951–77, is largely due to the public sector undertakings.

Impact of Industrialisation

It would be worth while, at this stage, to evaluate the industrial advancement in M.P. in the light of the industrial growth trend of other states. The data for such a comparative study is not easily available. The table showing the position of different states on several industrial indicators in 1970 and 1975 does throw some light on this aspect.

It is clear from table II that whereas during this brief span of five years a trend of decentralization of industries from the established industrial states like Maharashtra and West Bengal had set in, in as much as they showed a decline in their relative share of industries, Madhya Pradesh was among the states that benefited but

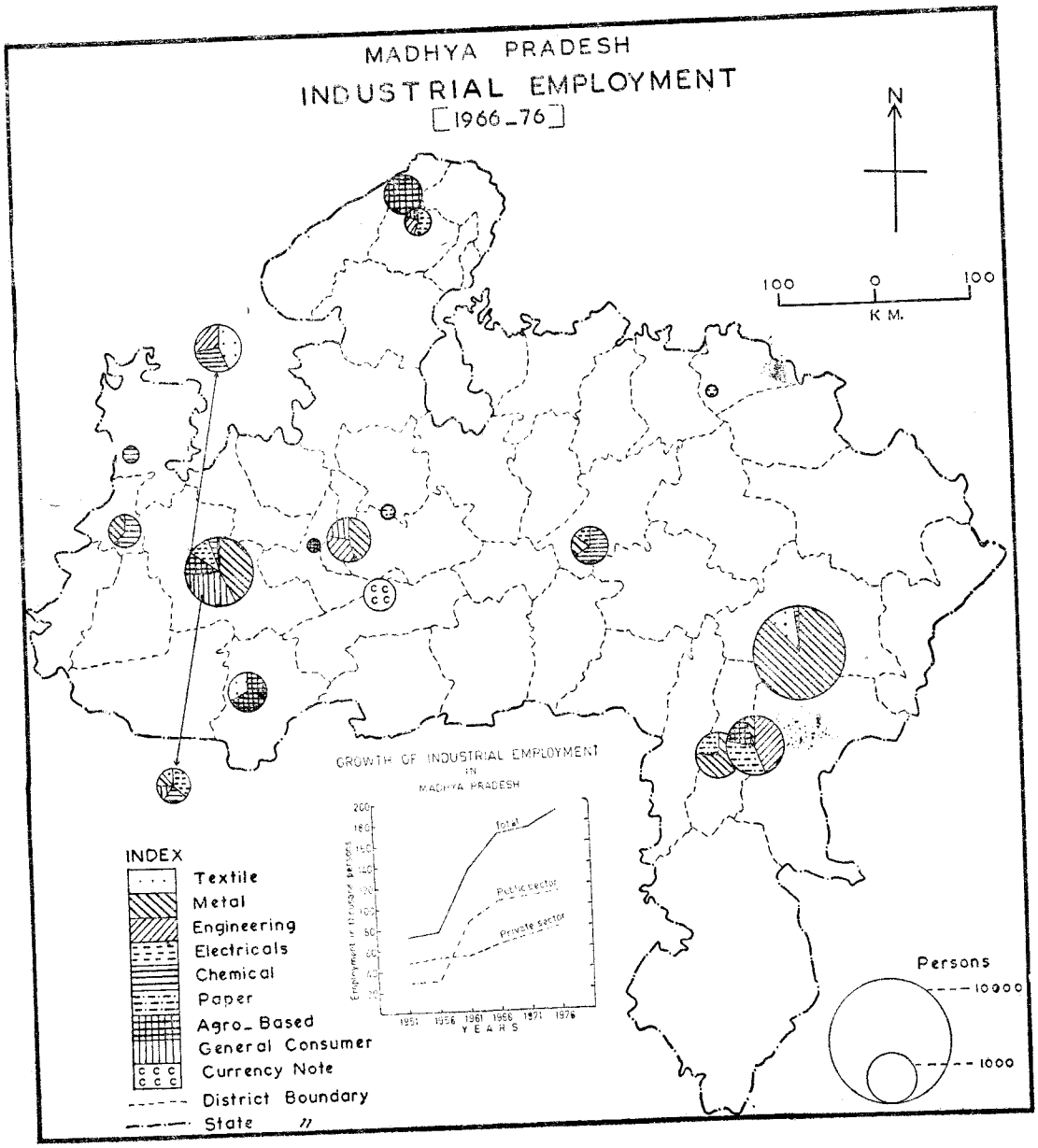

Fig. 2

ittle from this trend. Whereas Uttar Pradesh Gujarat and Andhra Pradesh seem to have gained significantally, Madhya Pradesh, its abundant resources and central location with fairly good infrastructure notwithstanding has been hardly able to maintain its relative position. This fact becomes more glaring if its share in the industries is set against its share in available resource; In 1975, M. P. with 13.5 per cent of the total area of the country had 7.6 per cent of the total population had only 4.2 percent of industrial empoyment, 5.7 per cent of the productive capital and 4.0 per cent of factories reporting, whereas the state contributed 13.4 per cent to the countri's production of menerals by value during 1975-76; and 17.2 per cent of the country's producti-

Table II

States	Factories		Productive Capital		Industrial Employment	
	1970	1975	1970	1975	1970	1975
1. Maharashtra	22.14	16.9	17.93	16.6	19.51	19.3
2. West Bengal	12.33	9.1	13.55	8.7	17.60	14.5
3. Tamil Nadu	9.55	10.8	9.71	8.5	10.35	10.0
4. Gujarat	8.78	10.7	6.09	8.7	8.52	10.9
5. Uttar Pradesh	6.51	7.5	10.16	12.4	7·44	8.4
6. Karnataka	4.49	6.2	4.96	4.4	4.59	4.8
7. Bihar	3.49	3.9	7.88	6.6	5.45	5.0
8. Andhra Pradesh	6.52	8.6	5.04	5.5	6.00	7.3
9. Madhya Pradesh	5.05	4.0	5.93	5.7	4.05	4.2

(Figures represent percentage share of each state)
Source : Economic Times Annual 1975.

on of forests by value during 1972-73.

It is clear from the above analysis that M. P. is much short of its due share in industries despite very lucrative resources, fairly good infrastructure and central cross-road location and has not made much stride during the last 30 years. The primary reason behind this state of affairs is that the industralization process in the state has been too dependent on the public sector which suffers from its own limitations of capital and managements. The extractive resources of the state viz. forests and minerals are directly or indirectly under Government control. The state does not offer good market for consumer goods of higher order. Nor does it offer the various advantages associated with the nearness to seats of power and established industrial complexes. Thus, the private enterprenuers, particularly the big multi-product multicity multiplant business house that dominate the industrial scene of the country in the private sector, find little attraction for investment in the state. On the other hand, the public sector has suffered the vicissitudes of foreign exchange trap, poor return on investments in the heavy industries having long gestation period, poor capital formation and several bottlenecks in the fields of power and transport, after 1961. The net result has been the utter neglect of the state in the field of industrial development after 1966. Even before that period the setting up of the steel plant at Bhillai and the Heavy Electricals at Bhopal are the only landmarks whose real benefit to the state in terms of providing employment to its inhabitants is only marginal. Their multiplier effect as the state is concerned has been quite limited because there has been a conspicuous absence of backward and forward linkages of these plants. An integrated functional linkage among the different sectors of the industrial system viz. public and private; large and small scale plants that could lengthen the chain of linkages and thus generate multiplier effects is nonexistant.

The Small Role of Small Scale Sectors

The process of industrialization spearheaded by the public sector with clear emphasis on the exploitation of rich natural resources for promoting heavy capital goods industries has completey ignored the small scale sector as is evident from the following table.

Table-III

Small Scale Industries (1972--73)

Division	No. of Units	Employment
Bhopal	789	5166
Bilaspur	333	3661
Gwalior	857	6323
Hoshangabad	161	1199
Indore	2427	17071
Jabalpur	1169	8013
Raipur	954	12189
Rewa	449	3629
Sagar	563	2361
M. P.	7701	59612

Source : Industrial Statistics 1977.
Directorate of Industries, M. P.

It is obvious from the table that small scale industries also tend to cluster on those centres which have some large scale industries. Indore (885 units employing 8288 persons), Raipur (534 : 6005), Jabalpur (626 : 5400), Gwalior (405 ; 3967) and Bhopal (340 : 3,235) are the outstanding districts for small scale industries as well. These five districts account for 36 per cent of the industrial units and 45 per cent of employment in this sector. This does not mean, however, that there is much integration between the large and small scale industries excepting those which function as ancillories to the above mentioned centres which are just a few in number. For example, there are only 56 units at Bhopal and 29 units at Jabalpur functioning as ancillories to Heavy Electricals and Vehicles factories, respectively.

Policy Implications

It should be clear from the above analysis that whatever little industrial growth has taken place in the state has served only to accentuate spatial distortion in the economy without making any dent in the unemployment problem. The industrial sector contributed only 14.8 per cent of N. D. P. as late as 1973-74. The only alternative to alter this situation is to encourage small & medium scale industries in greater number to function as ancillories to large scale plants in public as well as private sectors. One of the major drawbacks of small scale industries in India, is the unreliable quality of their products and hence difficulty of finding market against the reliable standard products of the established big enterprenuers even for ordinary consumer goods. Being assured of Govt. subsidies and grants and in most cases purchase of the product for Government purposes, the small scale enterprenuer hardly cares to reduce the cost or improve the quality of the product. And yet, it is the small scale sector that holds promise for generating employment in the industrial sector and more even, spread of industrial units. The objectives may be realised by attaching several small sector plants to a major large scale one, the former catering to semi-finished ingredients or components for the end product of the latter. In that case, there will be automatic quality control exercised by the large scale manufacturer. Thus, there will be a greater degree of integration in the industrial system which will foster balanced and integrated regional development. Madhya Pradesh having variegated resource endowments offers good prospects for such an integration. Its vast potential of agro- industrial resources particularly, oil, seeds, Cotton, Sugarcane, wide variety of forest products and minerals provide a sound base for setting up of a chain of small scale factories dispersed all over the state at suitable development foci with a view to interlock them with large scale plants. Only in this way, can this 'extrovert' extractive economy, whose valuable raw materials are just exported out in raw form, be concerted into a multifacet economy with greater proportion of income accruing from fabricative sector.

Address of the author

Dr. Jagdish Singh, Professor and Head, Deptt. of Geography, University of Gorakhpur, Gorakhpur.