

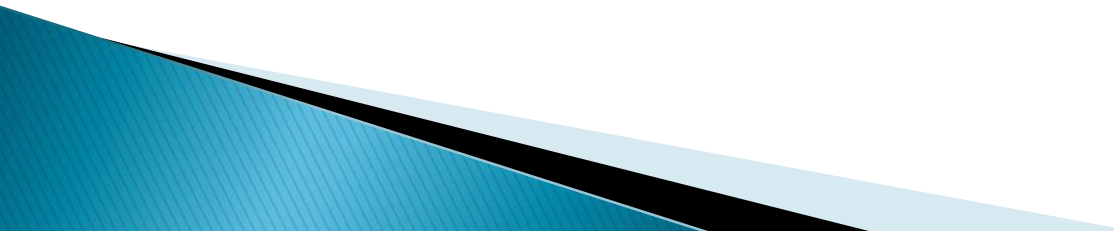
ROLE OF DIFFERENT SECTORS IN INDIA

*Prof. Prarthna P
Assistant Professor
Department of Economics
St. Joseph's College*

INDUSTRIAL SECTOR



Role of Industry

- ▶ *Modernising Agriculture*
 - ▶ *Providing Employment*
 - ▶ *Share in the GDP*
 - ▶ *Contribution to exports*
 - ▶ *Raising Incomes of the People*
 - ▶ *Enhancing Economic Growth*
 - ▶ *Meeting High-Income Demands*
 - ▶ *Strengthening the economy*
- 

Contd...

- ▶ *Modernising Agriculture -*

provides agriculture with latest tools & techniques – improves productivity & enhances efficiency.

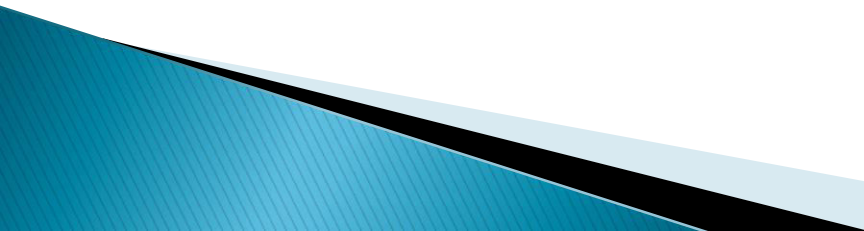
- ▶ *Providing Employment -*

Indian economy is labour surplus and industries can generate employment opportunities. In 2016, industries engaged 18.3 per cent of the labour force.

- ▶ *Share in GDP -*

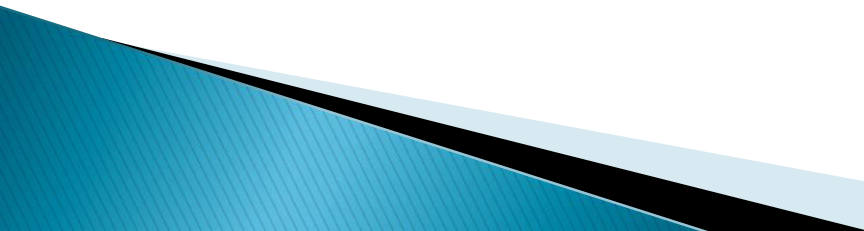
Year	Share in GDP (%)
1950-51	12
2009-10	26
2015-16	29.02 (GVA)

Contd...

- ▶ ***Contribution to exports –***
manufactured goods – 68.4 % of exports (2016)
 - ▶ ***Raising Incomes of People –***
higher industrial output – higher income per head.
GNP per capita is high in industrialised countries. In 2016, GNP per capita was \$1,588.
 - ▶ ***Economic Growth – helps in attaining self-sustaining growth.***
 - ▶ ***Meeting High Income Demands – increased demand for industrial products.***
- 

Contd...

▶ *Strengthens Economy -*

- a. Growth in capital goods industries helps in producing more number of goods in large quantities at low cost – strengthens infrastructure.*
 - b. Production of economic infrastructure (railways, dams, etc...)*
 - c. Agriculture gets improved farm implements, transport & storage facilities.*
 - d. Self reliance in defense materials.*
- 

Growth of Industrial Sector

Industries classified on the basis of:

- ▶ *Size (Large, Medium & Small)*

Classification	Investment ceiling for plant, Machinery or Equipments	
	Manufacturing Enterprises	Service Enterprises
Micro	Upto Rs. 25 lakh	Upto R. 10 lakh
Small	Above Rs. 25 lakh & upto Rs. 5 crore	Above Rs. 10 lakh & upto Rs. 3 crore
Medium	Above Rs. 5 Crore an upto Rs. 10 crore	Above Rs. 2 crore & upto Rs. 5 crore

Contd...

- ▶ *End use of Output*
 - i) Basic goods industries (minerals, cement, iron & steel, basic metals, etc...)*
 - ii) Capital goods industries (Machinery)*
 - iii) Intermediate goods (chemicals, rubber, plastic, etc...)*
 - iv) Consumer goods (beverages, cosmetics, etc...)*

Annual Growth Rates - Use Based Classification

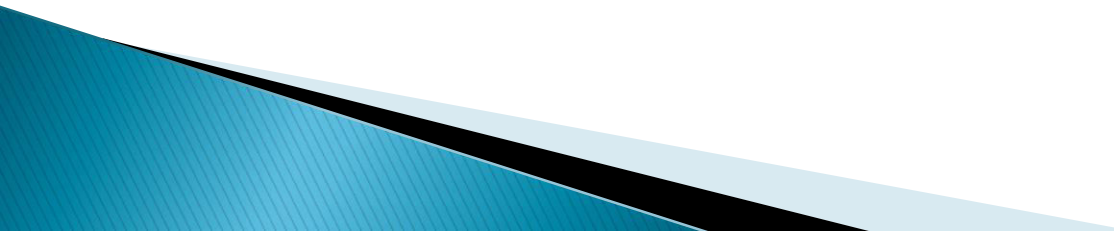
Use Based Classification	2014-15	2015-16	2016-17
Primary Goods	3.8	5.0	4.9
Capital Goods	-0.8	2.1	1.9
Intermediate Goods	6.2	1.5	3.0
Construction/Infrastructure Goods	5.0	2.8	3.8
Consumer Durables	4.0	4.2	6.2
Consumer Non - durables	4.1	2.7	9.0

Annual Growth Rates – Sectoral Level

(Base year 2011-12)

Sector	2014-15	2015-16	2016-17
Mining	-1.4	4.3	5.3
Manufacturing	3.9	3.0	4.9
Electricity	14.8	5.7	5.8
General	4.0	3.4	5.0

Pattern of Industrial Development

- ▶ *Lop - sided pattern of development – too large & too small industries – high concentration of employment.*
 - ▶ *Capital employed per worker was very low – low level of domestic demand & low per capita income.*
 - ▶ *Well - established consumer goods – neglect of capital goods – heavy dependence on imports of capital goods.*
- 

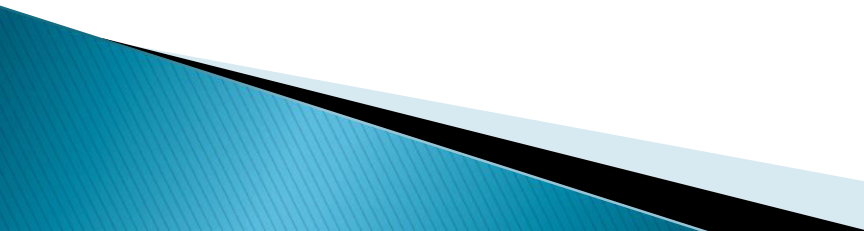
Contd...

1. *Industrial growth witnessed ups & downs from 1951 to 2010-11. Growth slowed down to 2.7 per cent in 2001-02, because of :*
 - ▶ *lack of domestic demand for intermediate goods.*
 - ▶ *Low inventory demand for capital goods.*
 - ▶ *High oil prices.*
 - ▶ *existence of excess capacity.*
 - ▶ *infrastructural constraints.*
 - ▶ *Decline in FDI.*
 - ▶ *shrinkage in demand for exports.*
- 12th plan aims at 10 per cent growth rate.*

Contd...

2. *Structure of industry shifted to basic , capital & intermediate goods since 1951.*
 - ▶ *2nd Five year plan – Mahalanobis model*
 - ▶ *3 steel plants est. in the Public sector – Bhilai, Rourkela & Durgapur.*
3. *Remarkable growth of consumer goods industries.*
4. *Broad based & modernised industries – strengthened manufacturing capabilities.*
5. *Massive increase in the size & diversification of public sector – 1st plan – 5 CPSEs (Rs. 30 cr); 2010 – 249 (158) CPSEs (Rs. 1,08,000 cr); 2015 – 320 (244)CPSEs (Rs. 1,15,767 cr); 78 CPSEs loss making (Rs. 28756 cr)*

Contd...

6. *Private sector – dominance of large & monopoly houses has increased – 1951 – only Tata & Birla – presently more than 100 .*
 7. *Infrastructure – expansion & sophistication – power generation, railways, telecommunication, port facilities – FIs (LIC, IDBI, ICICI) providing industrial finances.*
 8. *Science & technology – CSIR – research labs, R&D facilities, technical know-how. Est. of educational & research institutions – India ranks high in technological talent & manpower & in the development of ICT.*
- 

Contd...

9. SSIs – modest investment - small work force – small volume of output.

MSMED Act – Micro, Small & Medium Enterprises Act 2006.

As on 2015,

Total no. of MSMEs – 362 lakhs

Total employment – 805.24 lakhs

Share in exports – 44.7 per cent

Contribution to Gross Value in Mfg – 37.33 per cent

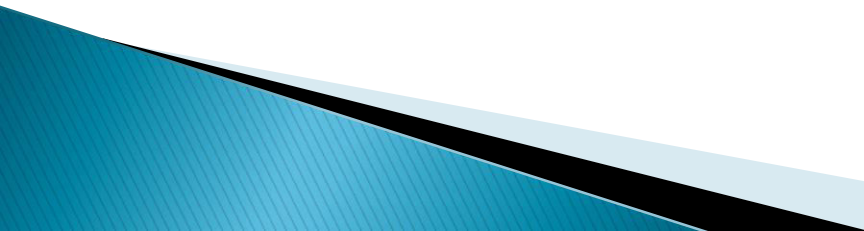
Summary results of the 4th All-India Census of Micro, Small & Medium Enterprise sector

Figures in lakh

Details	Registered Sector	Unregistered sector	Total
Total number of working enterprises	15.64	346.12	361.76
(a) Manufacturing	10.5	104.51	115.01
(b) Service	5.14	241.61	246.75
(i) Number of rural enterprises	7.07	193.12	200.19
(ii) Number of urban enterprises	8.57	153	161.57
Number of women enterprises	2.15	24.46	26.6
Number of enterprises running perennially	15.14	189.13	204.27
Employment	93.09	712.14	805.24
(a) Manufacturing	80.84	239.23	320.07
(b) Services	12.26	472.91	485.17
(i) Male	74.05	610.62	684.68
(ii) Female	19.04	101.52	120.56

Source: Annual Report, 2015-16, Ministry of Micro, Small and Medium enterprises, Govt of India.

Progress of industrialisation

- ▶ *Development of capital goods industries*
 - ▶ *Substantial diversification*
 - ▶ *Broad basing of manufactured products*
 - ▶ *Development of small scale industries*
 - ▶ *Sophisticated and high technology industrial sectors – electronics, telecommunication equipments, etc...*
 - ▶ *Huge size of Indian market.*
 - ▶ *Growth in GDP*
 - ▶ *Higher credit flow to industry.*
 - ▶ *Large number of investment.*
 - ▶ *Robust exports.*
 - ▶ *Growth of elite oriented consumption goods*
- 

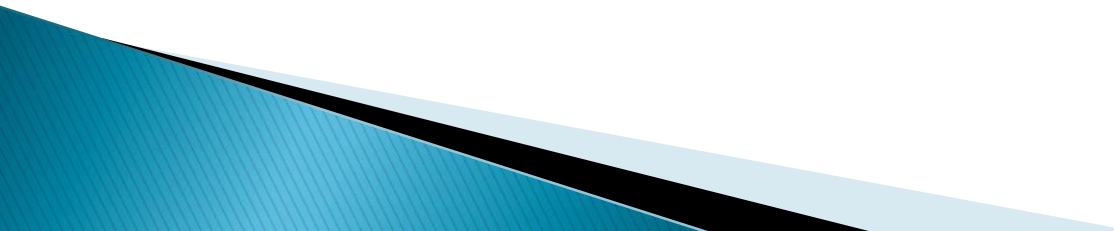
Problems of Industrial Development in India

- 1. Failure to achieve targets – 12th plan (10 %)*
- 2. Underutilisation of capacity – factors:*
 - ▶ Indiscriminate grabbing & creation of capacities by private enterprise*
 - ▶ Demand short-falls*
 - ▶ Over-optimistic demand projections*
 - ▶ Supply issues*
 - ▶ Labour problems*
 - ▶ Deliberate under-utilisation to create shortages and corner profits.*

Contd...

3. *Absence of world class infrastructure – transport, power failures, poor roads.*
4. *Increasing Capital-Output Ratio – 4 % (2016-17) – increasing capital costs, highly capital intensive nature*
5. *High cost industrial economy – costs & prices higher in India.*
6. *Inadequate employment generation – 22 per cent*
7. *Poor performance of Public sector – 78 CPSEs incurring losses to the tune of Rs. 28.756 cr. – last 3 years, 43 CPSEs making losses (BSNL, Air India).*

Contd...

8. *Sectoral imbalances – inadequate support from agriculture & infrastructure.*
 9. *Regional imbalances – TN, Maharashtra, Andhra Pradesh & Gujarat – account for 50 % .*
 10. *Industrial sickness – more than 2 lakh sick units in India; causes – financial mismanagement, demand recession, labour issues, working capital shortage, cost escalations, shortage of raw materials, uneconomic size, out dated technology.*
- 

SERVICES SECTOR



Role of Services Sector

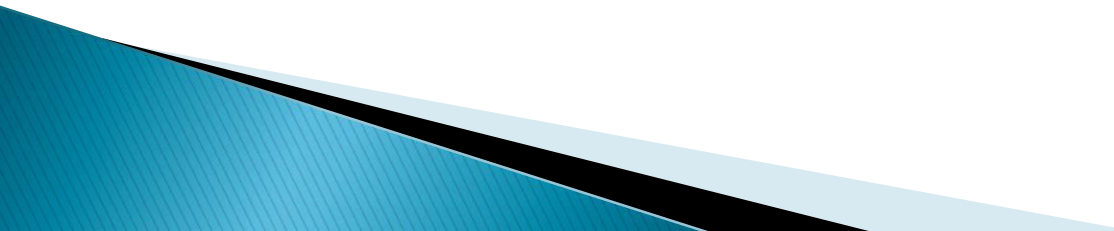
- ▶ *Increasing share in GDP – 60.7 % - 2016.*
 - ▶ *Providing employment – 28 % - 2016.*
 - ▶ *Support to other sectors – financial services, transport services, storage facilities, software & communication services.*
 - ▶ *Contribution to exports – 2015 - \$155.3 bn – share in global exports – 3.3% ; share in total exports – 5.7 % ; software services – 45.2 %.*
- 

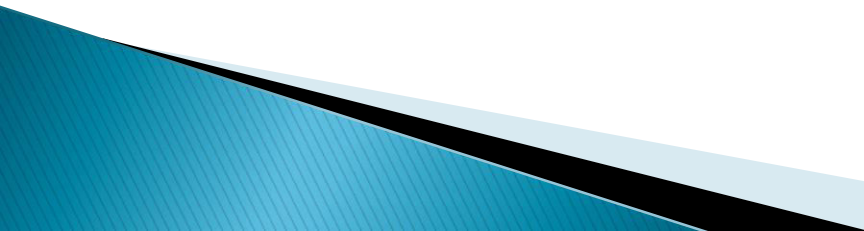
Table 2. Share and Growth of India's Services Sector (GVA at basic price)

	GVA(per cent)			GCF(per cent)	
	2014-15	2015-16	2016-17@	2014-15	2015-16
Total Services	51.8(9.7)	52.9(9.7)	53.8(7.7)	59.8(14.0)	60.3(7.6)
Trade, repair, hotels and restaurants	11.4(9.2)	11.4(11.2)	18.4(7.8)*	9.4(57.6)	10.1(16.1)
Trade & repair services	10.4(9.4)	10.4(10.9)	NA	8.4(51.4)	8.7(11.3)
Hotels & restaurants	1.0(6.3)	1.0(14.4)	NA	1.0(140.1)	1.5(56.8)
Transport, storage, communication & services related to broadcasting	6.8(8.8)	7.0(9.3)	NA	6.1(-28.1)	6.4(9.9)
Railways	0.8(9.4)	0.8(7.0)	NA	1.7(43.1)	1.9(14.7)
Road transport	3.2(6.5)	3.2(6.7)	NA	2.0(43.1)	2.0(5.5)
Air transport	0.1(14.0)	0.2(16.8)	NA	0.2(21.6)	0.0(-92.3)
Financial services	5.7(9.0)	5.8(6.8)	21.1(5.7)^	1.6(67.4)	1.8(16.8)
Real estate, ownership of dwelling & professional services	14.8(12.1)	15.3(12.5)	NA	28.8(18.9)	26.7(-2.4)
Public Administration and defence & Others	13.0(8.1)	13.4(6.9)	14.2(11.3)	13.8(9.1)	15.4(20.2)
Construction	8.6(4.7)	8.1(5.0)	7.6(1.7)	5.5(25.0)	5.0(-2.4)
Total Services (plus Construction)	60.4(8.9)	61.0(9.1)	61.4(6.9)	65.3(14.9)	65.3(6.7)
TOTAL GVA/GCF at basic prices	100.0(7.2)	100.0(7.9)	100.0(6.6)	100.0(7.5)	100.0(6.2)
GDP market Prices (Constant Prices) Y-o-Y	(7.5)	(8.0)	(7.1)		

Source: Computed from CSO data.

Note: Shares are in current prices and growth in constant 2011-12 prices; Figures in parentheses indicate growth rate; @ Provisional Estimate for 2016-17; * Also includes transport, storage, communication & services related to broadcasting; ^ Also includes Real estate, ownership of dwelling & professional services.

Services sector's growth – Factors

- ▶ *Income elasticity of demand for services is greater than one.*
 - ▶ *Technical & structural changes – efficient outsourcing.*
 - ▶ *IT revolution – services delivery at reasonable cost over long distances.*
 - ▶ *Economic reforms – esp financial & transport.*
- 

Problems of Services Sector

- ▶ *Inadequate infrastructure*
 - ▶ *Inadequate employment generation*
 - ▶ *Inadequate reforms in financial services*
 - ▶ *Need to boost tourism sector.*
 - ▶ *Untrained service professionals/providers.*
 - ▶ *Unhygienic transport facilities.*
 - ▶ *Need for single window clearance – visa*
 - ▶ *Service trade restrictions – lack of export promotion councils.*
 - ▶ *Unfair competition – telecom sector*
 - ▶ *Lacks backing from other sectors.*
 - ▶ *Need to improve quality & reduce costs.*
- 