

Impact of Economic Reforms on Small Scale Industry of Punjab

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Abstract: The present study based on secondary data for a period of 35 years i.e. 1980-81 to 2014-15. The study period is divided into two parts i.e pre reform era (1980-81 to 1990-91) and post reform era (1991-92 to 2014-15). As we know during nineties country went through a severe economic crisis. Then structural reforms i.e. liberalization, privatization and globalization take place. The main objective of these reforms was to enable the Indian industry to achieve rapid growth. This paper is an attempt to analyze the performance of small scale industry of Punjab after nearly 25 years of these economic reforms.

Keywords: Small Scale Industry, Economic Reforms.

1. INTRODUCTION

Industrialization plays a critical role in the process of economic development. We can say that industrial development is a yardstick for measuring economic development. Industrialization is regarded as the key for reconstructing the economy as it changes the sectoral composition of output and employment. Industrial development is more inter-complementary and has more forward and backward linkages. Industrial development is generally much faster than agricultural development which suffers from natural handicaps. In short country can not develop without industrialization.

In the process of industrialization Small Scale Industries play an important role. These industries are considered as an important instrument for industrial growth, for bringing reduction in regional disparities, for efficient use of human and natural resources and for employment generation. This sector has grown in India since independence, with sound programmes of development and with a strong policy support.

As far as Punjab is concerned, Punjab is basically an agrarian state and industrially backward state. The factors responsible for its backwardness are partition of the country (India) in 1947 and reorganization of Punjab in 1966.

But the industrial development is necessary for the high per capita income and to absorb unemployed youth. So Punjab government has provided the needed impetus for industrial development, specially for small scale industries, as development of these industries has been one of the most significant characteristic of industrial development.

During nineties country went through a severe economic crisis. Then structural reforms i.e. liberalization, privatization and globalization take place. The main objective of these reforms was to enable the Indian industry to achieve rapid growth and enhancement of competitiveness of small scale industrial sector, with the expectation that these changes would enable this sector to achieve higher and sustainable growth both at national and regional level. In short the objective was simply to improve the efficiency of the system.

In this paper an attempt has been made to analyse growth performance of small scale industrial sector in Punjab, during the reform era. To fulfill this objective study period has been divided into two parts i.e. pre reforms period (1980-81 to 1990-91) and post reforms period (1991-92 to 2014-15).

Objectives of the Study:

The main objectives of the study are :-

- To study the effects of structural reforms on small scale industry of Punjab.
- To study the effects of liberalization on small scale industry of Punjab.
- To analyze the comparative picture of growth of number of units, fixed investment, employment and production during pre- liberalization and post-liberalization period.

2. DATABASE AND METHODOLOGY

The present study is based on secondary data for a period of 35 years i.e. 1980-81 to 2014-15. Data relating to number of units, fixed investment, employment and production of small scale industry of Punjab is collected from Directorate of Industries, Punjab. Compound Annual Growth Rates (CAGR's) have been calculated after dividing the study period into two parts i.e. 1980-81 to 1990-91, 1991-92 to 2014-15 and to calculate CAGR's the statistical package (SPSS version 7.5) is used.

Performance of Small Scale Industry of Punjab in Pre and Post Reform Period

In this part, the overall performance of small scale industrial sector of Punjab has been examined in depth on the basis of the different parameters such as number of units, production, employment and fixed investment.

Pre-Reform Period (1980-81 to 1990-91)

The growth and compound annual growth rates of under study variables during pre reform era i.e. 1980-81 to 1990-91 is shown in the Table-1.

Table-1 Growth of Production, Employment, Number of Units and Fixed Investment Of Small Scale Industry in Punjab (During Pre-Reforms Era)

Production, Number of Units, Employment and Fixed Investment				
Year	Production (Rs.Cr.)	Number of Units	Employment	Fixed Investment (Rs. Cr.)
1980-1981	885.03	34796	234675	299.79
1981-1982	1048.32	42170	265701	358.85
1982-1983	1238.01	49246	293103	427.31
1983-1984	1409.94	57634	323652	490.3
1984-1985	1557.49	66186	358278	555.84
1985-1986	1740.33	73019	391308	627.84
1986-1987	1926.3	80840	420906	704.33
1987-1988	2193.32	88093	452795	789.97
1988-1989	2559.06	98786	484824	914.09
1989-1990	2883.52	108955	526367	1023.84
1990-1991	3368.72	119102	554090	1132.74
Pre Reform CAGR's	12.92%	11.84%	8.12%	12.85%

Source: Directorate of Industries, Punjab.

Table-1 depicts year-to-year growth of number of units, fixed investment, employment and production of small scale industry of Punjab in absolute terms and CAGR's for these under study variables during pre reform era (i.e. 1980-81 to 1990-91). During pre-reform era all these variables increased in absolute figures and there growth was considerable. During pre-reform era CAGR's of the variable production was 12.92 per cent, for number of units was 11.84 per cent, for employment was 8.12 per cent and for fixed investment CAGR's was 12.85 per cent.

Post-Reform Period (1991-92 to 2014-15)

The growth and compound annual growth rates of under study variables during post reform era i.e. 1990-91 to 2014-25 is shown in the Table-2.

Table-2 Growth of Production, Employment, Number of Units and Fixed Investment of Small Scale Industry in Punjab (During Post- Reforms Era)

Production, Number of Units, Employment and Fixed Investment				
Year	Production (Rs.Cr.)	Number of Units	Employment	Fixed Investment (Rs. Cr.)
1991-1992	3723.66	132584	590806	1269.18
1992-1993	4468.28	136968	609608	1362.9
1993-1994	6096.08	139952	630227	1488.92
1994-1995	7618.75	142965	648728	1683.09
1995-1996	8487.37	145535	670668	1897.82
1996-1997	9783.99	147563	687398	2137.92
1997-1998	11511.17	149403	704575	2457.38
1998-1999	12820.49	151180	726511	2900.87
1999-2000	14849	152768	743705	3291.88
2000-0001	18325	200603	897642	4109.14
2001-0002	20339	201736	909266	4374
2002-2003	22524	202537	920077	4641
2003-2004	24984	203224	930036	4816
2004-2005	28474	203984	943664	4973
2005-2006	30874	204522	951318	5103
2006-2007	33273	191639	938684	5503
2007-2008	36438	167722	954769	5784
2008-2009	41897	162559	944241	5972
2009-2010	46357	160062	978932	6915
2010-2011	50963	152583	1002860	8265
2011-2012	56148	151977	10333553	9815
2012-2013	62971	154421	1077616	11459
2013-2014	74606.15	156518	1113858	12960.99
2014-2015	84630.32	158655	1139126	14191.41
CAGR's	13.90%	0.75%	2.77%	10.58%

Source: Directorate of Industries, Punjab.

Table-2 depicts the depicts year-to-year growth of number of units, fixed investment, employment and production of small scale industry of Punjab in absolute terms and CAGR's for these four under study variables. During post-reform era (i.e. 1991-92 to Onwards), the absolute growth of two under study variables i.e. number of units and employment decelerate. While fixed investment and production accelerate during post-reform era. As for as CAGR's are concerned there is deceleration in all under study variables except production as CAGR's for this period was 12.92 per cent during pre-reform era and after the reforms it was 13.9 per cent. Number of units registered a steep deceleration in terms of CAGR's, as these rates during reform era was 12.84 per cent and in post-reform era was mere 0.75 per cent. Similarly CAGR's for employment and fixed investment also decelerate after the reforms.

International Journal of Novel Research in Marketing Management and Economics

Vol. 3, Issue 3, pp: (72-75), Month: September - December 2016, Available at: www.noveltyjournals.com

The conclusion emerges from the above two tables discussion is that the rate of growth of number of units, employment and fixed investment have shown deceleration after reform period in comparison with the pre-reform period. Only production has shown acceleration in terms of CAGR's during liberalization.

In short, economic reforms significantly influenced the small scale industry of Punjab. Table-2 depicts that in absolute terms employment and number of units of small scale industry of Punjab gone up, whereas in terms of CAGR's all four under study variables has fallen miserably after the economic reforms. In short, small scale industry in Punjab needs a focused attention on the part of the state government.

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