C H A P T E R - I

INDUSTRIAL GROWTH OF WEST BENGAL ——

ITS HISTORICAL PERSPECTIVE.

THE NATURE OF "DECLINE."

CHAPTER - I.

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THE NATURE OF "DECLINE".

1.1: Introduction: The Continuity in Industrial Development and Economic Turnings:

The mavels of modern science are results of a continous industrial development and progress in technology which are brining more and more new industries into existence and fundamentally altering the structure of industry - its energy and raw material base. Unprecedented opportunities have cropped up before mankind for mastering nuclear power, ocean-resources, outer space and laser power. Many modern major inventions are now commercially successful. Present-day industrialisation in characterised by a rapid development of sophisticated branches of economy.

Of enormous significance in the life of man and in his struggle with industrial inventions was creation of industrialised society — one in which a busy transformation is on rush in the way people work and live. The society in which economic laws express the essential aspects of relation

of production and their inter-connection with productive forces. This society gave birth to an Industrial Revolution; rise of capitalism; exploitation of workers; slums; and labour unions. The spontaneous working-class movement brought socialism, social legislation and Govt. regulations.(1) Then a competition between the two-world systems, the socialist and the capitalist, has taken place. In the course of this competition, the capitalist world has approached production more realistically. Having some advantages in the sphere of production and circulation, the non-socialist world has been subjected to a contrast with itself in the form of a North-South Dialogue ie. wristling of the developing countries with the developed countries.(2)

During the past decade the developing countries have been faced with a series of severe external shocks - Oil price increases, Global price-inflations, recession, high interest rates and exchange rate instability, and most recently interruption of supplies of accustomed external finance. 'From 1979 on they were hit by the longest and most severe recession since the Second World War and then by unprecedented increases in interest rates, appreciation of U.S. Dollar (in which most of their external-debt is denominated), low price for export commodities (except petroleum),and from mid 1982 on by sharp reduction in the inflow of commercial capital. '(3)

Their exports generally consisted of a few primary commodities which were main industrial inputs for Northern - industries. But now the Northern-industrial inventions have gone up to such an extent that out of 65 (sixty five) chief industrial raw materials (from L.D.C) 63 (sixty three) have been substituted (except Oil).This has caused the disruption of markets for their products. The programme for industrialisation in developing countries has emerged from this critical situation. They need developing import-substitutes and a quality production for export. But sharp and wide technology gaps exist between developed and developing countries. The capital labour ratio- necessarily reflects the difference in access to technology. The industrialised countries are naturally far superior to the developing countries so far as production technology is concerned. For industrialisation and economic development the developing countries have to depend on technology export from the developed countries which are found verymuch unwilling to transfer the latest technology. Consequently developing countries find themselves in disadvantegious position so far as their exports are concerned and they are compelled to borrow industrial capital from the advanced countries. Things have now come to such a pass that these developing countries are so heavily indebted that they can hardly repay their debt and service burden. To over-come these problems attempts have been made in the

developing countries to encourage export-oriented production and production of import-substitutes. This results construction of plants less than-efficient-minimum-size.(4) It leads to nagging problems of 'excess capacity' in the industries.(5)

Excess capacity is barrier to entry in an industry and hinders the growth of new units in the industry. It not only forestalls entry but also generates oligopolistic or momopolistic market structure.(6) If industrialisation is followed by excess capacity then it will generate further crisis. Again, most of the developing countries, during the period of their planned development, experienced 'enclave type' development because of the larger concentration of modern-sector activities in urban centers mainly matropolies, degenerating growth impulses to their peripheries.(7) So, the problem of regional intra-industry disparity in terms of excess capacity has now become an acute problem in the industrialisation programme of developing countries. India, being a developing country, is no exception to this crisis. To India experience of West Bengal is conspecious in this respect.

1.2: The 'Bygone Glory' in Industrial Activity of Bengal:

The reminiscences tell us that the economy of Bengal in ancient period was glorious in the sub-continent. Since then Bengal has been famous for the high artistic skill of her

craftsmen. Her muslins, brocaded silk, Jamdani Sari and harmonious cotton prints were famous in the world. 'The cotton textiles and silk fabrics were provinces' most famous industries and these had markets not only in other parts of Mughal Court, was one of the conoisseurs of the products but also in many countries'.(8) The working of metals and precious stones, the preparation of essences, and ivory works attracted admiration of many travellers from Europe and Far East. Under suitable patronage art and industry blossomed at their exquisite delicacy and beauty unrivalled by the products of any other nation. Those glorious days lasted long through hereditary transmission of skills based on casts and sub-casts.

Bengal maintained an active overseas trade with South India and Ceylon in the first century A.D.(9) The important centers of trade and industry were: Pundra Vardhana, Lakshmanavati, Vikrampura, Karnasuvarna, Triveni, Suvarnagram, Saptagrama and Tamralipti. 'Two important overland trade-routes were populer; one connected Bengal through Kamarupa with China, the another passed through the Himalayas accross Nepal, Sikkim and Chumbi Valley to Tibet and China.(10) Through trade her wealth had been increased enormously. The wealth of Bengal about a century before British conquest has been vividly described by Bernier. The prosperity of Bengal before Plassey (1757) was ascribed by Verelst to the

'cheapness and quality and the prodigious traffic of her manufactures'. But the day of damnation came immediately after Plassey with series of events:

1. Acquisition of Dewani by the East India Company in 1777 had opened the line of drainage of wealth from Bengal. An estimate by late Dr. J.C. Sinha put the outflow of resources from Bengal between 1757 and 1780 at nearly £38 million. It includes drainage of silver currency in England via China. By this, funds for development of new forms of enterprise had been drained off to England where industry and commerce were flourishing as never before.(11)

2. Industrial Revolution (with series of inventions) encouraged the British industrialists to capture the market of Bengal for their products. J.C. Sinha opined that the Industrial Revolution in England only hastened the Bengal Industries.

3. 'The policy persuade in England to discourage Indian manufactures.(12) It had started the process of de-industrialization through British camp-followers and fortune-hunters.

4. The Maratha, Mughs and Portugese pirates followed loots which brought uncertainties in the economy of Bengal whereon artisans were adversely affected in their trade and transactions.

By this way in course of time decade from Plassay all industries in Bengal declined - cotton and silk-spinning and weaving, sugar, salt, iron-smelting, tool-making, dyes and ship-building were noted.(13) Ultimately Bengal became the supplier of raw materials for British Industries and market for British manufactured goods. People concentrated on agriculture by leaving traditional industries. The transfer of power from the company to the crown is another phase to hit out Bengal. Then, the commercialisation of agriculture began with the beginning of Civil War in North America which diverted the British demand for raw cotton and indigo from United States to India.(14) The best lands of Bengal were forcely thrown for indigo plantation. The non-food to food-crop output ratio began to rise and self sufficiency of rural Bengal had broken down tremendously. Cockrell, enquired in the famine, himself admitted that 'one of the causes (scarcity of food-grains) was the increasing cultivation of indigo which year by year absorbed large areas of lands which otherwise would have been devoted to the cultivation of cereals'.(15)

The accumulated capital in private-hands in Britain started flowing to India through'push and pull effect and Bengal got localisation of two industries as Tea and Jute. For jute the world's highest localisation came into force on the banks of river Hughlee. From 1854 to 1863 the growth

of this industry was rapid. As Mr. H.C.Kerr had mentioned the romance of jute on the occasion in his report: 'Jute was a monopoly of India and in this the Bengal industry had a strong advantage'.(16) In Bengal thetea was planted first in the year 1856 and therewith fostered Fulbari T.E. (1877), Washabari T.E. (1877), Damdim T.E (1877), Dalimkot T.E. (1876), Manabari T.E. (1877), Manihope T.E. (1878), Patabari T.E. (1878) and Ranichera T.E. (1878) etc. Upto 1906 all waste lands of Jalpaiguri came under tea plantation. By this way there were 150 tea gardens in the year 1934. During this time many tea gardens had fostered in Darjeeling district.(17)

Industrialisation in Calcutta-Howrah-Hughlee area followed a characteristic feature which was the presence of large managing agency firms under Europeans. They controlled the majority of the cotton jute, Tea and other mills. The doctrine of imperial preference did attract many private investors to set up their ventures in the area. Men who diverted from traditional industries and land began to gather round the factories, trap for exploitation as they had never became a strong collective-burgainer in the factory system. Thus, slow growth of trade union, falling wages, rising prices and huge profits did attract again few industrial units for which commercial and geographical advantages had already prevailed in the area.

With Bengal discrimination followed by British rulers. 'We saw Madras and Bombay had always sharing the larger amount

than Bengal where it collected more revenue than others. It accentuated the disparity. The inequality was enshrined in the Govt. of India Act.1935, and fifteen years thereafter in the constitution of 1950 -- in a worsen form. Many public works had in restrieted scale in Bengal than in Bombay and Madras.(18)

The Bengal famines repeatedly famished millionsof people and mounted profits to industrialists. And finally partition violently disrupted the economy of West Bengal with the exodus of population from the then East Pakistan. Accordingly about 4.53 lakhs of immigrants had been rehabilitated outside West Bengal upto date from 1946 to 15.7.1970 and 22.8 lakhs within the states.(19) Thus, the economy of West Bengal was shuttered.

1.3: The Experience with Centre: A Set Back to-wards Development.

Discrimination with West Bengal started at the dawn of independence 'when West Bengal Govt. discovered that the centre had on the storke of 12 O'clock the previous night slash the state's share of jute export duty.(20) Even during the first decade after independence, West Bengal was the most industrial state in India. In the year 1955-56 West Bergal had the highest per capita NDP (Net Domestic Product) compare to Maharastra, Punjab, Gujrat and Karnataka as shown in Table 1.1.(21) In the year 1962-63, the position became third. In 1976, the position had gone down to the 7th in order of rank. From 1962-63 to 1975

the per-capita N.D.P. increased for West Bengal Rs.460, for Maharastra Rs. 678, for Punjab Rs. 934, for Gujrat Rs. 513, for Karnataka Rs. 573 and for Haryana Rs. 813. It is due to the remonstrant planning by which West Bengal had been pushed back to the tail end in the ranking. Throughout the planning period in India a picture of discrimination with West Bengal is clear from table (1.1). As in the 2nd Plan period the per-capita state-plan expenditure was the lowest for West Bengal (Rs. 59) compared to Maharastra, Punjab, Gujrat and Karnataka in order of rank. The same rank was observed in the 5th Plan period. From 2nd Plan to 5th Plan for West Bengal the per-capita state plan expenditure increased by Rs. 141, for Maharastra Rs. 306, for Punjab Rs. 437, for Gujrat Rs. 286 and for Karnataka Rs. 215. Amazingly Haryana's per-capita income increased tremendously with massive increase of per-capita state plan expenditure. At the close of the 5th plan it was found that West Bengal was behind the states in the both respects as referred.

Since, the planning allocation was not favoured, the income and expenditure detarioted as shown in table (1.2) where West Bengal settled at lowest rank in respect of per-capita revenue receipts and per-capita development expenditure to revenue receipts. From the year 1982 to 1985 per-capita revenue receipts increased for West Bengal Rs. 58.78, for Gujrat Rs. 100.37, for Maharastra Rs. 102.06, for Punjab Rs.64.91, far Haryana Rs. 97.83 and for Karnataka Rs. 102.07. Hence, the

Table No. 1.1

Per Capita Net Domestic Product and Per Capita State Plan Expenditure at Different Plan Period in Some Major States.

State	*Per Capita N.D.P. for 1955-56 (in Rs.)	**Per Capita State Plan Expenditure (in Rs.) under 2nd Plan	***Per Capita N.D.P. for 1960-63 (in Rs.)	****Per Capita State Plan Expenditure (in Rs.) under 3rd Plan	***Per Capita N.D.P. for 1964-65 (in Rs.)	****Per Capita State Plan Expenditure 1966-69 (Three Annual Plan) (in Rs.)	***Per Capita N.D.P. for 1967-70 (in Rs.)	****Per Capita State Plan Expenditure (in Rs.) under 4th Plan	*****Per Capita N.D.P. for 1972-75 (in Rs.)	****Par Capita State Plan Expenditure (in Rs.) under 5th Plan
West Bengal	449	59	399	86	465	46	667	82	925	200
Maharastra	404	66	418	110	478	98	686	199	1156	372
Punjab ±	389	94	388	125	492	109	910	316	1426	531
Gujrat	379	90	402	115	462	101	667	204	975	376
Karnataka	308	61	312	106	373	81	552	128	946	276
Haryana					445	111	810	358	1258	481

± For the 2nd and 3rd Plan Punjab included Haryana, Assam and Meghalaya.

Sources:

* N C A E R -- 1967
** State Plan documents and 1951 census.
*** Finance Commission 1969, '71, '73.
**** Based on State Plan document and 1961 census.
***** C.S.O. (1979).

Table No. 1.2

Per Capita Revenue Receipts and Development Expenditure to Revenue Receipts in Some Major States.

States	Per Capita Revenue Receipts (in Rs.)			Per Capita Development Expenditure to Revenue Receipts (in Rs).			Per capita Development Expenditure increased by	Per capita Revenue Expenditure increased by
	1982-83	1983-84	1984-85	1982-83	1983-84	1984-85	(in Rs.) 1982-85	(in Rs.) 1982-85
West Bengal	244.64	261.55	303.42	200.73	206.97	262.35	61.62	58.78
Gujrat	381.69	426.46	482.06	278.76	299.05	353.11	74.35	100.37
Maharastra	438.67	479.42	540.73	264.25	313.05	371.67	107.42	102.06
Punjab	450.97	486.62	515.88	267.59	322.73	340.51	72.92	64.91
Haryana	455.75	489.24	553.58	316.77	328.91	393.07	76.30	97.83
Karnataka	331.26	370.91	433.27	221.32	238.91	304.31	82.99	102.07

Source: " Report on Currency and Finance; Reserve Bank of India, in West Bengal (Economic Review) 1988, Page 192.

Per capita development expenditure to revenue receipts for West Bengal was the lowest among the states as shown in the table. The discrimination started generating the regional disparities (each state as a region) and West Bengal receded to the back-ground in a developing economy. So, it is an easy surrender on the part of the Bengali Public openion to the temptation of putting the entire responsibility of this sorry state of affairs on the shoulder of the Union Govt.(22)

A very interesting view of the Bengal Chamber of Commerce (1971) that'the centre's dealings with West Bengal and its problems lead to one broad conclusion that while demanding modification and change in certain policies and practies persuade by the Union Govt. affect that state, West Bengal must also take a long and hard self-critical look. Bemoaning centre's attitude on every form is neither justified nor likely to produce any helpful result'.(23) So,the discrimination and disparities continued in planning periods.

1.4: The Regional Disparity :- A Crisis Process.

The northern five districts of West Bengal -- Darjeeling, Jalpaiguri, Coochbehar, *West Dinajpur, and Malda jointly hold

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* West Dinajpur is now divided into two districts viz. Uttar Dinajpur and Dakshin Dinajpur.

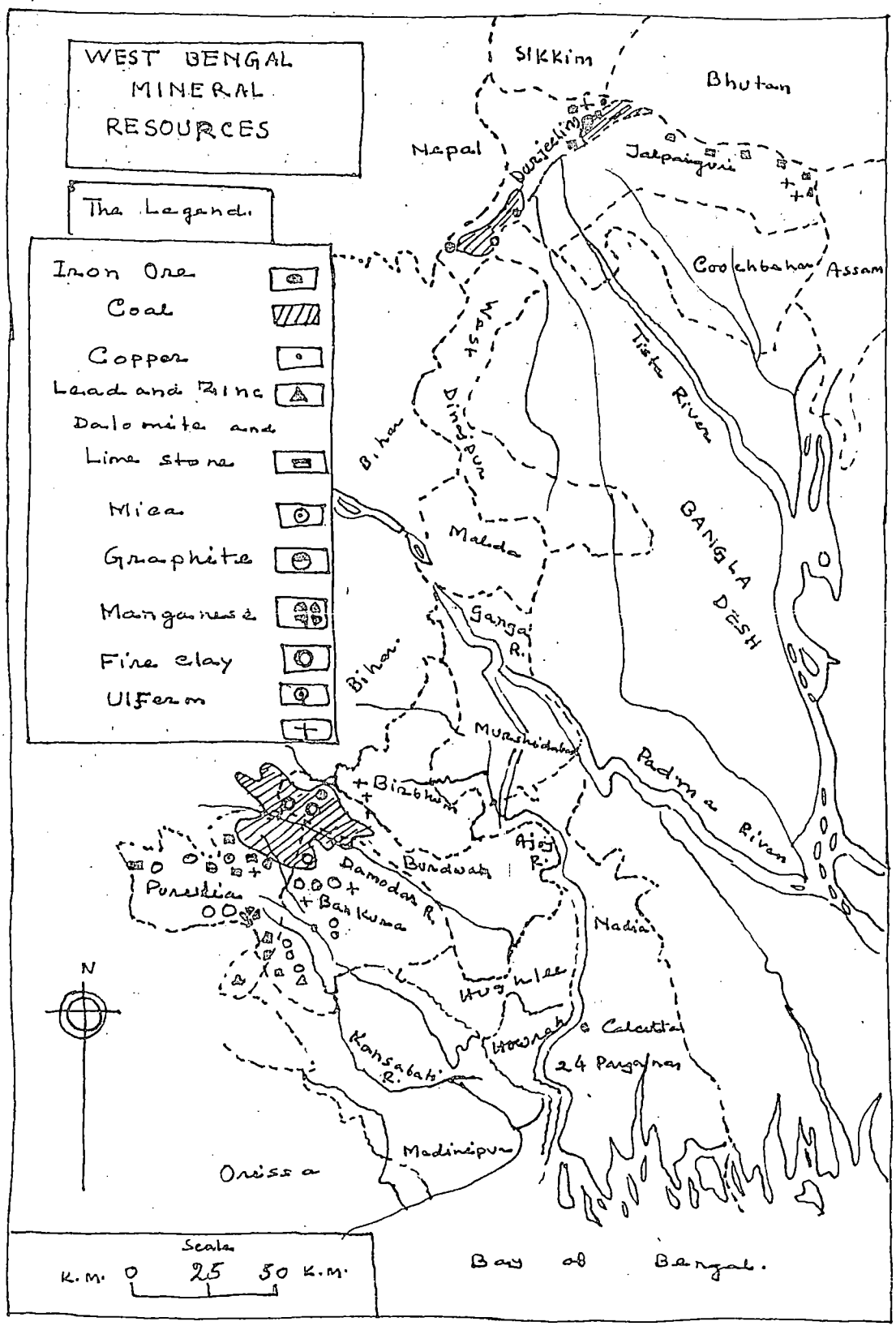
the identity of a Region called North-Bengal. The remaining part comprises of eleven districts holds the regional name as South Bengal. North Bengal is agro-dominated and rural based economy where the five districts are more or less backward in every respect. Limited infrastructure facilities stand in the way of creating atmosphere for manufacturing activities. In agriculture sector also the outdated method is mostly followed causing little improvement in production. Except tea few other industries like timber, plywood, rice and flour milling are seen in Ektiasal of Jalpaiguri and Dabgram of Siliguri area. Few rice Mills are working in the district West Dinajpur wherein Raiganj spinning mill and a small paper mill have been working for a few years. Since, there presence only a few and poor mineral resources, as copper in Darjeeling and line stone in Jalpaiguri, no big industrial units based on mineral resources yet started.

In South Bengal the Calcutta-Howrah-Hughlee industrial belt is the bigest; a region longing about 80 km. on the bank of River-Hughlee, starts from North Triveni to South Birlapur. The nearness of Calcutta port and its hinterlands like Bihar, Assam and Orissa make facilities of machines, men and raw-materials for industrial units. Coal from Raniganj and electricity from D.V.C., Bondel and Soutaldi make advent of many units like Jute, Cotton, Aluminium, Paper, Match, Engineering, Chemical, Glass and many other industries which we cannot classify here. In this region we see a car making unit at Uttarpara, a shoe-making unit at Batanagar, a Railway coach

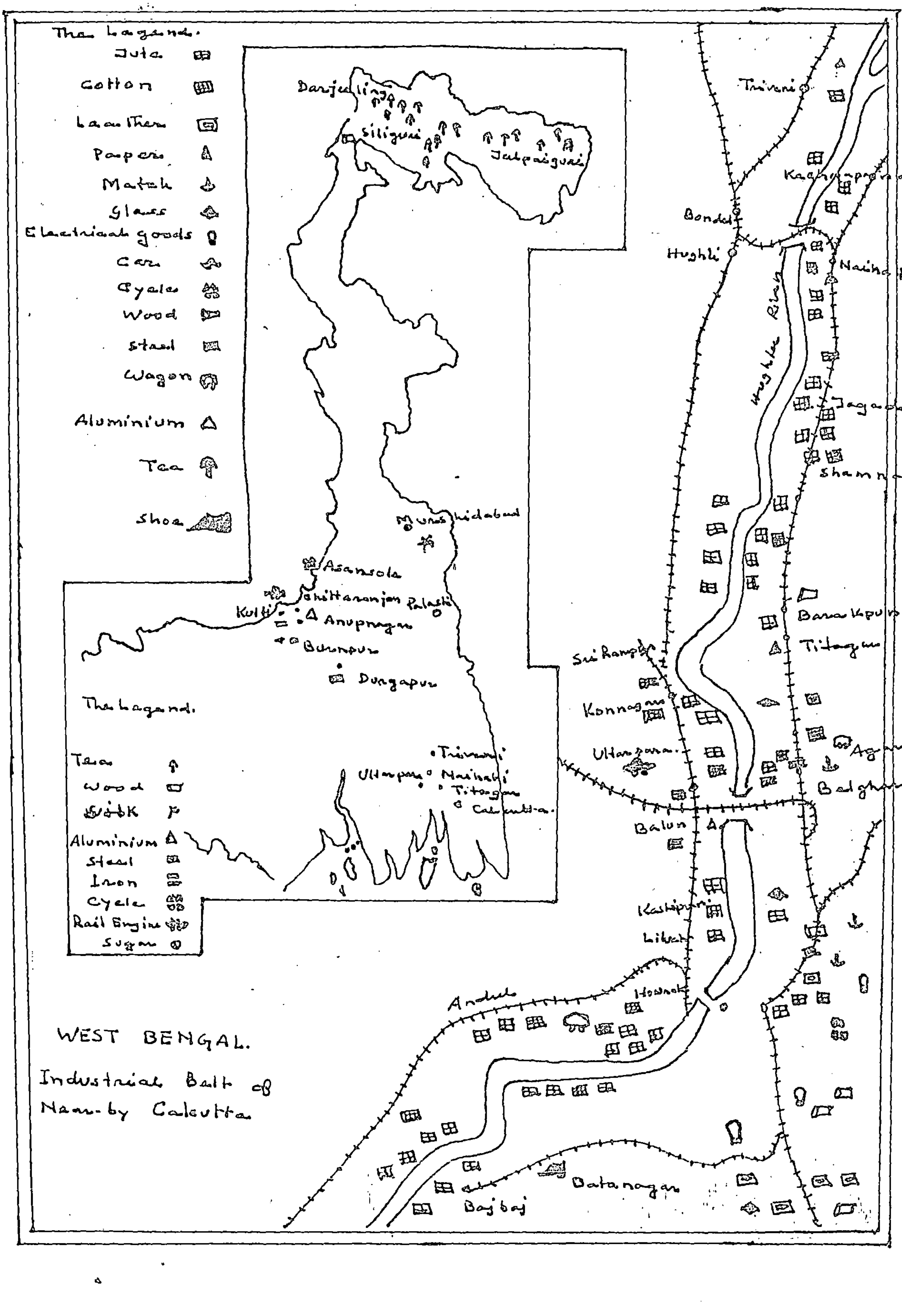
making unit at Kachrapara, a ship-building unit at Khidirpur and the gun factory of Kashipur. Here many private companies have extablished their manufacturing units as for their necessary inputs other industrial outputs areavailable in the area.

The Asansole industrial belt comprises of Raniganj, Burnpur, Kulti, Barakar, Rupnarayan and Chittaranjan where we see industrial units like iron and steel, cycle, aluminium, paper and locomotive manufacturing for which power produce mainly by coal available in Raniganj area. Adjacent to this the Durgapur industrial region where main industrial units are D.P.L. Durgapur Chemicals, Mining and Alloyed Machinaries Corporation etc. Here a coke coal producing unit, a fertilizer manufacturing unit and a spectical-glass manufacturing unit are important among other than hundred units in the area. The industrialisation at Haldia is made mainly by Govt. facilities. Total investment in Haldia area by State Govt., Government of India and the major private sector enterprises are to the tune of Rs. 900 crores. The important existing industrial units are: Haldia Dock Complex with composit cargo, Haldia Refinery, Haldia Fertilizers, Shaw Wallace, Hindustan Leaver, Chloride India and Petro Carbon etc.

For mineral resources the south is endowed with coal, lime-stone, ulfram, fire-clay, cyramic manganese, copper and iron-ore. Any additional amount of power as produced in the state brought a border allotment for South as needed by its growing demand. The draw-back keeps North less prosperous. So, diversity and disparity are co-existing along withgrowth and development as shown in the map No. 1.1, 1.2 and 1.3.

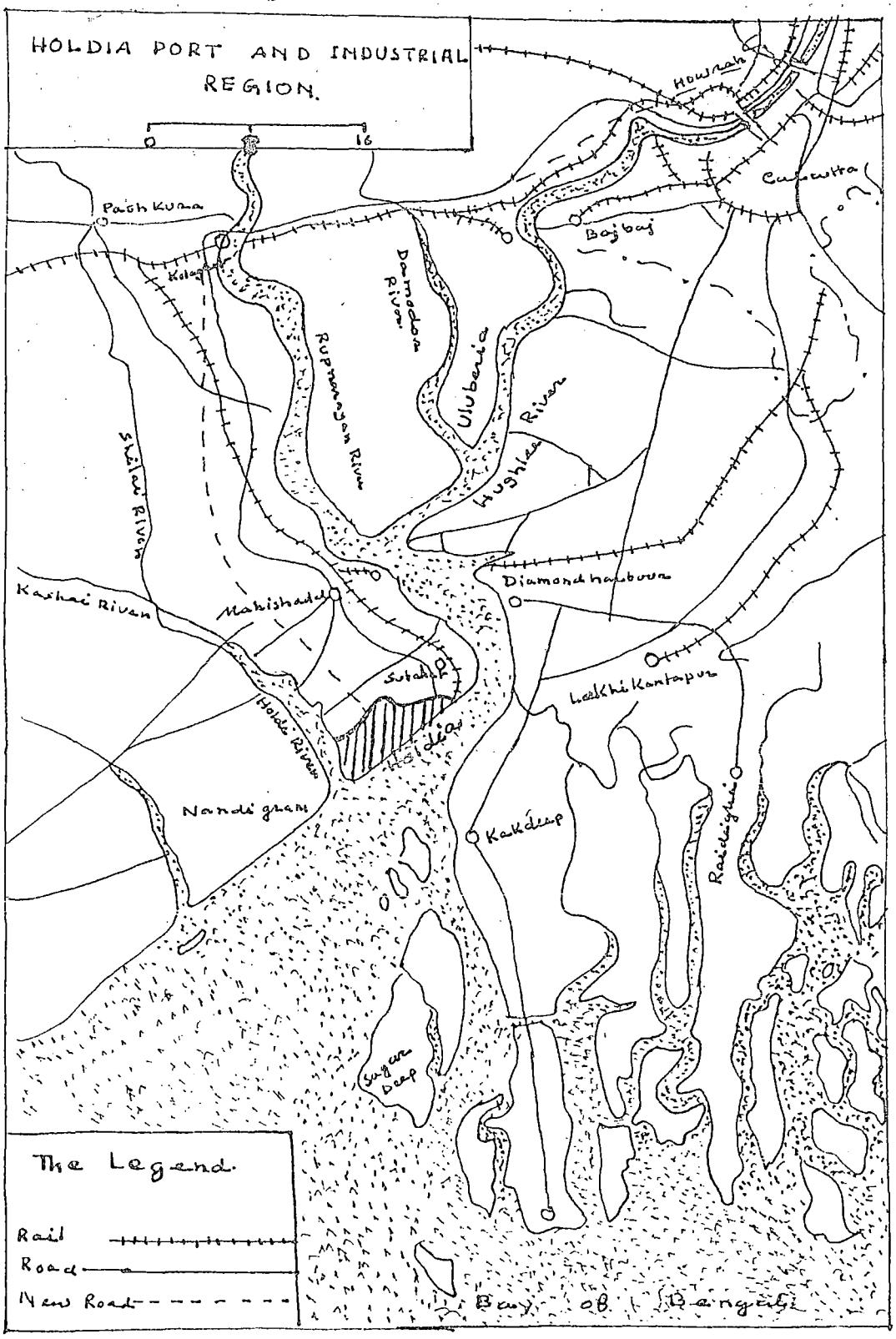

WEST BENGAL
MINERAL
RESOURCES
The Legend.
Iron Ore
Coal
Copper
Lead and Zinc
Dalomite and
Lime stone
Mica
Graphite
Manganese
Fire clay
Ulferon
SIKKIM
Bhutan
Nepal
Darjeeling
Jalpaiguri
Coochbehar
Assam
Tista River
Bihar
Dinajpur
Malda
GANGLA DESH
Ganga R.
Murshidabad
Padma River
Birbhum
Burdwan
Damodar R.
Ajoy R.
Purulia
Bankura
Nadia
Hooghly
Howrah
Calcutta
24 Parganas
Kansabati R.
Midnipur
Orissa
N
Scale
K.M. 0 25 50 K.M.
Bay of Bengal.

MAP : 1·2



The Legend.
Jute
Cotton
Leather
Paper
Match
Glass
Electrical goods
Car
Cycle
Wood
Steel
Wagon
Aluminium
Tea
Shoe
Darjeeling
Siliguri
Jalpaiguri
Murshidabad
Asansola
Chittaranjan
Palashi
Kulti
Anupnagar
Burnpur
Durgapur
The Legend.
Tea
Wood
Aluminium
Steel
Iron
Cycle
Rail Engine
Sugar
Triveni
Uttarpara
Naihati
Titagarh
Calcutta
WEST BENGAL.
Industrial Belt of
Near-by Calcutta
Triveni
Kanchrapara
Bandel
Hughli
Naihati
Hughlee River
Jagaddal
Shamnagar
Barrackpur
Titagarh
Sri Rampur
Konnagar
Uttarpara
Agarpara
Belgharia
Balur
Kashipur
Liluah
Howrah
Andul
Datanagar
Bajbaj

MAP: 1'3


HOLDIA PORT AND INDUSTRIAL REGION.
0
16
Howrah
Calcutta
Bajbaj
Pash Kura
Kolaghat
Damodar River
Rupnarayan River
Ulubaria
Hughla River
Shilai River
Kasai River
Mahishadal
Diamond harbour
Sutahata
Haldia
Haldia River
Nandigram
Lakkhi Kantapur
Kakdeep
Raidighai
Sagar Deep
Bay of Bengal
The Legend.
Rail
Road
New Road

1.5: Forces of Divergence and Convergence between Regions: As Backwash and Spread Effect.

The tertiary sector is the most important employment providing sector in urban areas of North Bengal. One of the most distinguishing features of the towns of North Bengal is presence of large number of retailshop in the urban areas. The small retail shops are predominent in all the towns and villages of North. Kurseong remains an exception as there people are engaged largely in transport and construction works.(24) 'The nature of occupational pattern in the urban areas of North Bengal shows that it has failed to achieve growth and so there is an excess population in retail trade'.(25)

The degree of urbanisation for the year 1961 for North Bengal was 10.1, raised to 13.7 in the year 1981.(26) The degree of urbanisation of Siliguri, Alipurduar, English-Bazar, Old Malda and Raiganj are comparable as similar to some towns of South Bengal. The peculiarity is that the degree of urbanisation in North Bengal is the expression of agrarian crisis where as the degree of ubbanisation in South Bengal (for comparable towns) is the expression of industriallisation. Because in agrarian sector North Bengal is far behind any sample size of five districts of South Bengal regarding the distribution of ground water structure. The areas irrigated by Govt. Canals in North Bengal are so insignificant they are never before Burdwan, Birbhum and Midnapore alone. However, the

'Tista Project' has a good prospect for future irrigation facility in North Bengal. The farmers of the South are advanced to commercialize their agriculture products as use of fertilizer reflects their motive for commercialization of agriculture. Lack of irrigation facilities limits the use of fertilizers and hence, unprofitability diverts the farmers of North to other occupation mainly in urban areas. The process lifted the high degree of urbanisations in the North.(27) Here analysis of Gunnar Myrdal requires special attention that 'it appears to be generally true that urban growth in under-developed regions is not a function of the expresion of industrial base but an expression of the severity of agrarian crisis. In some towns of the South urbanisation is the result of 'Spread Effect' of industrialization. For this reason the 'Backwash Effect' would be more for rural-north than that of rural-south.(28)

Regarding income distribution the Lorenze Curves of Siliguri,(29) Durgapur-Asansole(30) and Kurseong(31) are more or less the same. The upper 10% families enjoy 33% to 36% of total income whereas the bottom 10% families enjoy 1% to 3% of total income. The defference is that the co-efficient of variation of income for Kurseong is first in rank whereas Siliguri stands second and Durgapur-Asansole the third. The degree of variability of business income for the former is more than the wage-income of the latters. Fluctuation being settled with greater divergence in rural areas of North, the

disparity between North and South is now acute in recent years. The problem of intra-industry disparity in terms of excess capacity between regions is now one of the crisis processes. The problem retards the growth of new units and industrialization in West Bengal . reflects the facial features of concentration in few specific places only. The Registered Manufacturing Sector brought an evidence for this:

During the last decade the districts like Coochbehar, West Dinajpur, Malda, Murshidabad, Purulia and Bankura got little improvement in industrial activity. Under these districts many units run into debt and work at less-than-minimum-capacity which baffle the forthcoming entrepreneurs unless they break fresh ground. Few entreprenurs have taken a leap in the dark since we observed a slight change in industrial activity. Many manufacturing units in these districts have come to terms with loans and subsidies from public funds. They have become loss concerns within few days of their birth. The industrial development in these districts have passed down on recourse from Govt. only.

The growth of Registered Working Factories (Excluding Defence Factories) in the state brings us an opportunity to inveigh against concentration viz. units ,employment and output in two specific places only.

Table : 1.3.

Registered Working Factories (Excluding Defence Factories) in West Bengal by District. Table No.1.3.

District	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
West Bengal	5967	6144	6421	6548	6954	7324	7628	7864	8064	8348	8573	8746
Burdwan	325	347	367	381	397	421	434	465	477	491	499	508
Birbhum	78	80	82	83	86	86	88	89	91	94	95	95
Bankura	73	69	66	69	66	65	67	68	76	80	75	79
Midnapore	86	83	92	101	101	91	119	124	126	134	134	146
Howrah	1274	1326	1394	1421	1541	1643	1687	1728	1774	1816	1841	1869
Hooghly	169	205	221	231	238	248	251	282	290	301	313	324
24 Parganas	2811	2861	2979	3032	3209	3381	3504	3609	3684	3828	3988	4087
Calcutta	544	559	594	596	671	715	757	772	782	801	813	819
Nadia	73	84	91	96	101	114	124	123	128	133	138	138
Murshidabad	18	17	14	13	13	15	15	15	15	17	18	18
West Dinajpur	31	29	30	29	30	29	34	34	34	36	37	37
Malda	7	6	8	8	9	10	12	12	12	14	15	17
Jalpaiguri	249	253	254	254	260	271	289	294	312	325	330	336
Darjeeling	161	161	166	172	176	180	187	190	196	200	201	201
Coochbehar	13	13	13	13	13	13	17	17	18	18	18	18
Purulia	55	51	50	49	42	42	43	47	49	51	54	54

Source: Chief Inspector of Factories, West Bengal.

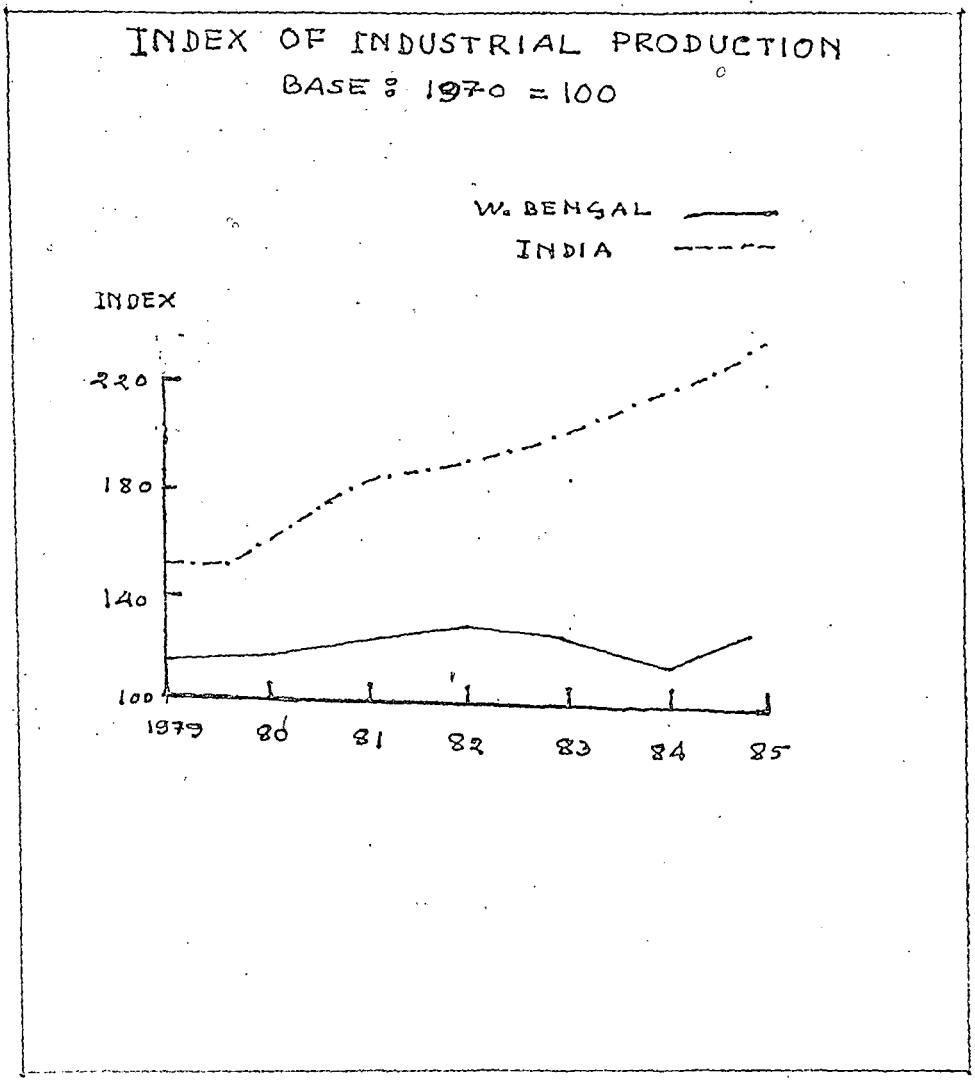
1.6: The Poor Performance in Industrial Activity: The Registered Manufacturing Sector as a Reference:

Apart from regional problem the industries of West Bengal stand back by mediocre performance. The picture for index number of industrial production of West Bengal compare to the rest of India (Fig. 1.1) shows that the industrial activities had faced a hard time for the period from 1980 to 1985 via a gult in the year 1984. For India the growth of industrial production continued at a rising trend. However, in West Bengal there was a slight improvement in the following years. It is due to the small scale manufacturing units which had been started with aid and subsidies for few years. But their continutty is questioned as most of them ought to be sick within few years.

The ex-factory value of output of West Bengal to India was 9.8% in the year 1980-81, then began to fall in the following years upto 1986-87 when it was 7.4% only. It is due to a sticky growth rate of output in West Bengal. The index (with base 1980-81 = 100) of exfactory value of output in West Bengal had grown to 165.1 in the year 1986-87 when India significantly noted at 217.8.(32) The day for damp growth of output is evidently causing a fact that the ground once industries were fabricated now loosing robustness.

From Directorate of Industries (West Bengal) the source says that the period from 1980 to 1989 industrial licences

GRAP NO. : 1.1



Source: WEST BENGAL
ECONOMIC REVIEW – 1988-89

issued (granted under Industries Development and Regulation Act. 1951) for 33 new undertakings, 52 licences issued to units for production of new articles and 24 licences for substantial expansion.(33) Among them manufacturing of Rubber, Plastic, Petroleum and Coal products, Chemical products and Electrical Machinery are projecting the forepart of their succession. During the same period a pre-record from Ministry of Industry, Govt. of India, helps us to perpend about letters of intent and industrial licences issued to different states in India, where West Bengal is behind the states like Andhra, Gujarat, Haryana, Karnataka, Madhyapradesh, Maharastra, Tamil Nadu and Uttarpradesh. West Bengal is only before Assam, Bihar, Kerala, Orissa, Rajasthan and Punjab. Punjab was left behind for political crisis. But what crisis is inherent in West Bengal where industrialists are reluctant to get more industrial units? Why they reveal their preference for M.P., U.P. Haryana, Andhra and Karnataka over West Bengal where they could have constructed industrial units ? Only industrialists can divulge this retrogression.

Here capital output ratio, output labour ratio and capital labour ratio are unfavourable in industrial scene when compared to those of Maharastra, Gujarat, Karnataka and Haryana as shown in table (1.4).

Table No. 1.4.

The Capital Output Ratio, Output Labour and Capital Labour Ratio in Registered Manufacturing Sector for Different States in India.

Year 1981-82

States	C/O	O/W	C/W
West Bengal	0.7210	0.9240	0.663
Maharastra	0.5656	1.7469	0.9880
Punjab	0.6765	1.4772	0.9993
Gujarat	0.5487	1.5314	0.8402
Karnataka	0.7220	1.0793	0.7792
Haryana	0.6393	0.9756	1.0772
Uttarpradesh	0.9764	0.8840	0.8631
Madhya Pradesh	1.2423	1.2462	1.5482
Andhra Pradesh	0.8375	0.5638	0.4722

Source: Data Calculated from Table No. 17.6. 'Statistical Abstract' West Bengal 1978 to 1989 (combined) Bureoue of Applied Economics and statistics P. 482-494. (value Rs. in lakhs.)

In recent years for Registered Manufacturing Sector of West Bengal the picture of net profit is implying poor performance in industrial activities. We know that net value added is equal to gross output minus total input and depreciation. The net income is equal to net value added minus rent and interest. From the information the net profit is equal to net income minus implicit earnings. For West Bengal the net profit is negative. Side by side lower productivity of labour with high value of returns to scale leads to the conclusion that the industries in West Bengal have been 'trapped' at the problem of excess capacity. This problem is to be examined furthered.

1.7: Objectives of Study:

This study evolves round the following objectives:-

1) To examine the structural anatomy of industries of Registered Manufacturing Sector of West Bengal.

2) To examine the regional intra-industry disparity, and the rate of disparity in terms of per-capita income and excess capacity in West Bengal.

3) To examine the variation of excess capacity in the Public Sector and Private Sector units for same industry group or sub-group in West Bengal.

4) To examine the response of capital labour ratio to the growth rate of productivity of labour.

5) To examine the cause and effect of excess capacity.

1.8: The Area of the Study:

The Registered Manufacturing Sector in West Bengal has been selected as area of this study. The Registered sector is the coverage of A.S.I. extends to all factories registered under Factories Act, 1948 with (i) 10 or more workers and using power, or (ii) 20 or more workers and not using power. In it the Census-Sector comprises of Factories employing 50 or more workers and using power and 100 or more workers and not using power. The remaining factories go to Non-census sector. According to the NIC- 1970 the available industries (in census and Non-Census Sector) from the frames of West Bengal (1978), amounted to 269 (a total of 3- digited and 4- digited industries). The National Industrial Classification is made by output criteria i.e. specifying a product under the industry group. The 3- digited industry group belonging to the NIC Division 2 and 3, is related to manufacture. The 4th "digit" is under 3rd digit to specify a product under the industry which produces it. For all these industries we study the function to understand the problem.

1.9: Survey of the Literature.

From Marshall to such later economists as Khan(1935),(34)

Harrod (1934-35)[35] and J.M. Cassals (1936-37)[36] defined excess capacity in their own respective ways. From what they have said, it follows, that excess capacity is the difference between the Ideal Output and the output actually attained in the long run. The Ideal Output of firm was generally regarded as the output which is associated with minimum long-run average cost. Chamberlin (1962) argued that excess capacity arises when free entry in coupled with the absence of price competition.[37] Thereafter a series of works had been done on this line. Lovall, C.A Knox (1968) worked on'Capacity Uhilization and Production Function Estimation in Post War American Manufactures'.[38] Wonders (1971) worked on 'Excess Capacity As a Barries to Entry'.[39] Shepared, W.G. (1979) on 'Excess Capacity and Control of Prices'.[40] Murry D. Bryce (1961)[41] defined excess capacity in terms of " Poor" performance in unit as well as in industry.

In India the performance of industries has been assessed by eminent economists like P.R.Brahmananda(1982)[42] who in his studies on 'Productivity in the Indian Economy' found rising inputs for falling outputs in Registered Manufacturing sector where public sector units suffered from a rising degree of under utilisation of capacity.

Prof. I.J Ahluwalia (1985),[43] through her studies on 'Industrial Growth in India', found stagnation in Indian industries since the mid-sixties due to very poor performance

in terms of productivity growth. The points contributed to industrial stagnation were (i) slow growth of agricultural incomes and their effect in limiting the demand for industrial goods, (ii) the slow down in public investment after the mid-sixties with its particular impact on infrastructural investment, (iii) poor management of the infrastructure sector leading to severe infrastructural constrains, and (iv) the industrial policy frame work, including both domestic industrial policies and trade policies and their effect in creating a high cost industrial structure in the economy.

In her later work (1991)[44] she found growing trend of capital intensity with falling trend of capital productivity in India manufacturing during the period from 1965 to 1985. For the same period the productivity of labour showed off insufficient growth and some down in total factor productivity growth which reasoned out under utilisation of capital and excess capacity.

The capital deepening and under utilisation were also traced by A.K. Banerjee (1975)[45] in his work on 'Capital Intensity and Productivity in Indian Industries.' Y. Satya Narayan (1972)[46] also studied excess capacity in Indian manufacturing through the impact of Licensing Policy on industrial output.

Apart from these studies we note down excess capacity

from our own view point. Operating and industrial enterprise considerably below capacity -- one or two shifts when three would be more economic or without great concern for cost control or efficiency or without any concern regarding average productivity of labour -- is an evidence of excess capacity. For this we use the production function parameters, e.g. returns to scale and technical efficiency to identify the problems of excess capacity. We also consider input output ratio, capital output ratio and capital labour ratio for realisation of the problem.

A greater excess capacity in an industry of a region compare to that of another region is observed when (I), a higher returns to scale is associated with lower average product, or (II)higher capital output ratio is associated with higher capital labour ratio and higher input output ratio. In the same way we can trace the excess capacity' higher or lower, in the public and private sector units in the same industry group. For the industries in Registered Manufacturing Sector of West Bengal no work has so far been done on excess capacity to the best of our knowledge. So, we pass down our task into deeper for realisation of the problem.

1.10: Research Hypotheses:

1) The index of industrial production of West Bengal was at a slow pace from 1979 to 1987 due to exogeneous and endageneous factors.

2) Major industries like Jute, Iron and Steel, Tea and Engineering showed a slow rate of growth of production from 1980-1989. However, some other industries Cotton (Cloth), Salt, Vanaspati and Chemical industries has a slightly higher rate of growth.

3) The figure for average daily number of workers employed in Registered Manufacturing Sector of West Bengal for the period from 1978 to 1987 was stagnant.(47)

4) The concentration of vacancies notified and placement effected through employment exchange by public and private sector have gone down in West Bengal since 1980.

5) The productivity of labour in Registered Manufacturing Sector of West Bengal is the lowest when compared with labour productivity among the states as Maharastra, Gujarat, Karnataka, Haryana, U.P. and Madhya Pradesh.

6) The capital output ratio and capital labour ratio for industries were unfavourable in West Bengal in some sector as compared to the aforesaid states.

7) In the same industry group, the regional disparity in terms of productivity and returns to scale showed the variation of excess capacity. Variation of excess capacity is in existence also in public sector units as well as private sector units in same industry groups.

8) The working capital for many ventures in different industry groups had been weakened as the big volum of bank loans has been increasing.

1.11: The Methodology:

The study follows the sequences of Methodology:

1) We study the Location Quotients and Localisation Co-efficients with the help of Florence's formula to understand the dispersal of industries in West Bengal.

2) We fit K'menta Approximation to the CES in order to observe scale of returns, elasticity of substitution, distribution parameters and average productivity of labour to study a comparative view of excess capacity.

3) We take a suitable approach in order to observe the different components of per-capita income causing the rate of intra-industry disparity between regions, and among regions.

4) We set the 'Variable Elasticity of Substitution Production Function' with the purpose to examine the response of capital labour ratio to the productivity of labour to understand the problem of excess capacity.

5) We select various samples (through circular systematic sampling) to study the other reasons for excess capacity in Registered Manufacturing Sector of West Bengal.

1.12: The period and Sources of Data:

The period of study is mainly from 1977-78 to 1988-89 with a view to using the A.S.I. Data available in different records. In many cases we take a look at the act of drawing conclusion from the premises.

1.13: Limitations and Scope:

In this study we try to find intra-industry disparity in the special feature of industrialisation in West Bengal where manufacturing activity runs into greater excess capacity in both public and private sector units. Though, Indian industries are allied to this problem, yet the problem in West Bengal is special due to its politico-economic condition. On the way of this study many imponderable things come to frustrate our estimation work. Because paucity of data and inadequacy in the information system limit full view of this work for which detail study of many aspects could not be drawn.

It opens the line of scope for research work. An indepth study on the nature of rate of capacity utilisation can be carried out for the industry groups to identify the capacity expanding industries which can be better treated by finding ways of development.

The work does not take a quantitative study on managerial

ability and trade Union's activity which are of crucial importance for productivity in any organisation especially in industrial sector. So, studies should come out to include managerial ability and tradeUnion's activity as inputs to production function to distinguish the relative importance of public and private sector units in the state.

1.14: The Work in Brief:

The work has been organised in the following chapters in addition to the concluding chapter:

Chapter I carries discussion on acquintance-ship of West Bengal at her past and neoteric industrial activity. In this afterthought we discuss forces of divergence and convergence between regions in the state where performance of industrial activity specially in Registered Manufacturing Sector stands back by greater excess capacity compare to those of other states in India.

Chapter II bears a close examination of pro-pensity of dispersal of manufacturing industries by the anatomy of industrial Frame to reveal the existing nature and pattern of industrialisation in the state. Through this analysis we go in the nature of dispersal of industrial activity in complaince with Govt. Policy and measures.

Chapter III alives to the consequences of Govt. policy and measures. And the regional intra-industry disparity between North and South Bengal becomes an interesting analysis in terms of capital output ratio, output labour ratio, capital labour ratio and rate of disparity.

Chapter IV establishes the regional variation of excess capacity in same industry groups through the study of production function and average productivity. The greater excess capacity in North stands as an agent of entry barrier to keep the area less industrialise. By this other backward districts of West Bengal bear greater amount of excess capacity for their operating units which establishes a generating crisis process of industrialisation programme.

Chapter V makes wary weigh of productive efficiency in terms of excess capacity of public sector units with those of private sector. We find public sector units receive greater importance in West Bengal but creation of vacancies does wane and excess capacity gears up.

Chapter VI falls in with a study of response of capital-labour ratio to the growth rate in labour productivity to the protential reduction of excess capacity. In this study we use the VES production function and see that higher product per man is obtained by increasing capital per work and capital intensive method is preferred to seven out of eight industry groups

under Registered manufacturing sector of West Bengal.

Chapter VII deals with some conflicting consideration as market structure, bargaining power of labour and nature of management as the cause and effect of excess capacity. We study response of wage to labour productivity through insturmental variable method of VES production function and find that productivity of labour in the registered manufacturing sector does not lie behind the nominal wages. For same industry groups in public sector units wages raise more than those of private sector units; however to the productivity the public sector units stay behind the private sector units. Following trends of strikes and lock-outs we find higher share of lock-outs than strikes in mandays lost. Through a survey on management and labour activity we arrive at reasonable conclusion: there must be something wrong in the Politico -Economic situation in West Bengal which makes inroad in the industrial units and results industrial activity with greater excess capacity.

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