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Industrial Development in India: A Comparative Analysis of Pre-Reform and Post-Reform Periods

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Abstract: *India has emerged as one of the rapidly expanding economies of the world, with the industrial sector playing a pivotal role in this transformation. Industrial development is crucial for addressing key economic challenges such as poverty, unemployment, low productivity, regional imbalance, and poor living standards. Industrial policies have significantly influenced the structure and performance of industries in India. Since independence, India's industrial policy framework has witnessed substantial changes, shifting from a planned and protectionist regime to a liberalized and globalized system after the economic reforms of 1991. The present study aims to analyse the evolution of industrial policies in India and to compare the performance of the industrial sector during the pre-reform and post-reform periods. The study relies exclusively on secondary data collected from sources such as the* Handbook of Statistics on Indian Economy *(RBI) and the* Economic Survey 2022–23. *The period of analysis covers 1991 to 2022. The findings reveal that during the pre-reform period, the average growth rates of manufacturing, mining and quarrying, electricity, gas and water supply, and the overall industrial sector were 5.23 per cent, 5.54 per cent, 8.99 per cent, and 5.50 per cent respectively. In the post-reform period, the overall growth rate of the industrial sector did not show a significant improvement. Among all industrial sub-sectors, electricity, gas and water supply recorded the highest growth rate throughout the study period.*

Keywords: Liberalisation, Globalisation, Industrial Policy, Industrial Growth, Industrial Development

I. INTRODUCTION

Economic development remains the foremost objective of most nations across the globe, and industrialization is widely recognized as a key driver of this process. A strong industrial base contributes significantly to employment generation, income growth, technological advancement, and overall economic stability. In India, rapid economic expansion has further intensified the importance of industrial development for policymakers and planners. Historically, India was well known for its flourishing handicraft and textile industries before the advent of British colonial rule. Indian products made from cotton, silk, metal, leather, and wood were highly demanded in international markets. However, colonial policies transformed India into a supplier of raw materials and a market for British manufactured goods. Discriminatory trade practices, heavy duties on Indian products, and restrictions on domestic manufacturing severely hampered industrial growth. The continuous transfer of resources from India to Britain resulted in economic stagnation and widespread poverty. At the time of independence, India inherited a weak and underdeveloped industrial structure. Recognizing the importance of industrialization, post-independence policymakers adopted a strategy of state-led development based on centralized planning and self-reliance. This approach emphasized the growth of basic and heavy industries under public sector leadership. However, this policy regime underwent a fundamental transformation with the introduction of economic reforms in 1991. Liberalization, privatization, and globalization reshaped India's industrial framework by reducing licensing restrictions, encouraging private investment, and integrating the economy with global markets. The present study examines the performance of India's industrial sector during the pre-reform period (1950–51 to 1990–91) and the post-reform period (1991–92 to 2021–22).

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II. REVIEW OF LITERATURE

A review of literature provides insights into existing research, identifies gaps, and helps in selecting appropriate methodologies.Several studies have examined India's industrial performance across different policy regimes.

Nagaraj (2003) analysed India's manufacturing sector using secondary data and found that manufacturing value added grew at an average rate of nearly 7 per cent during 1980–2000, indicating a recovery from earlier stagnation. Burange and Yamini (2011) reviewed India's industrial policies from 1950 to 2010 and identified three distinct policy regimes. Their study observed improved industrial growth after the 1980s, though mining and utilities showed deceleration in the post-reform period.

Thakur et al. (2012) examined the evolution of industrial policies in India and concluded that post-independence industrial strategies played a crucial role in reshaping the industrial sector by moving away from colonial constraints and adopting growth-oriented reforms.

III. OBJECTIVES OF THE STUDY

- To review the changing face of India's industrial policies.
- To examine the performance of industrial sector pre and post liberalization period in India.

IV. RESEARCH METHODOLOGY

The present study is based on secondary data. The time period of the study is confined to 1951-2022 which is further divided into two parts, before and after economic reforms. In order to accomplish the objectives of the study the percentage and tabulation methods has been used in the study. The study covers the time period 1991-2022. The data has been collected from leading journals, websites and economic survey 2021-2022, statistics on Indian Economy, reserve bank of India, 2022, Handbook of Statistics on Indian Economy (RBI), Economic Survey 2022-2023 etc. related to economic aspects of the study.

Annual and Compound Growth Rate

AGR= $(P_1-P_0)/P_0$

P_1 = Value in Current Year

P_0 = Value in Pervious Year

AGR (%) = Annual Growth Rate

CAGR = (FV/EV)^(1/N)-1

FV = Final Value

EV = Initial Value

N = Number of Years

CAGR (%) = Compound Annual Growth Rate

V. PERFORMANCE OF INDUSTRIAL SECTOR IN INDIA

Industry plays important role in overall growth of an economy. As we have witnessed more than 72 years of independence, there are major positive changes in industry's structure and pattern. To know about the performance, growth trends in industry since independence in manufacturing sector, mining and quarrying sector, electricity, gas and water supply, and total industrial sector has been studied. In this study we have divided it into two parts i.e. performance of industrial sector pre- reform period (1950-51 to 1990-91) and second part is post- reform period (1991-92 to2021-22).

Table 1: Gross Value Added at Basic Prices and Growth Rate of Industrial Composition from 1950 to 1991 (At Constant Price, Rs Crore)

Years	Industry		Manufacturing		Mining & Quarrying		Electricity, Gas & Water Supply	
	GVA	AGR(%)	GVA	AGR(%)	GVA	AGR(%)	GVA	AGR(%)

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1950-51	59426	5.53%	43927	----	14033	----	1466	----
1951-52	62712	3.21%	45314	3.16%	15762	12.32%	1636	11.60%
1952-53	64728	6.19%	46891	3.48%	16126	2.31%	1711	4.58%
1953-54	68732	6.40%	50520	7.74%	16368	1.50%	1844	7.77%
1954-55	73132	6.46%	54060	7.01%	17068	4.28%	2004	8.68%
1955-56	77857	7.02%	58293	7.83%	17337	1.58%	2227	11.13%
1956-57	83320	4.77%	62671	7.51%	18219	5.09%	2430	9.12%
1957-58	87292	4.80%	65085	3.85%	19404	6.50%	2803	15.35%
1958-59	91478	6.72%	68309	4.95%	20009	3.12%	3160	12.74%
1959-60	97628	9.73%	72948	6.79%	21039	5.15%	3641	15.22%
1960-61	107129	8.12%	79001	8.30%	24189	14.97%	3939	8.18%
1961-62	115833	8.49%	85747	8.54%	25582	5.76%	4504	14.34%
1962-63	125664	8.33%	91989	7.28%	28617	11.86%	5058	12.30%
1963-64	136133	5.83%	100690	9.46%	29465	2.96%	5978	18.19%
1964-65	144067	3.61%	107652	6.91%	29889	1.44%	6526	9.17%
1965-66	149266	1.52%	108652	0.93%	33403	11.76%	7211	10.50%
1966-67	151536	1.54%	109507	0.79%	34190	2.36%	7839	8.71%
1967-68	153864	5.33%	109931	0.39%	35227	3.03%	8706	11.06%
1968-69	162071	9.33%	116020	5.54%	36223	2.83%	9828	12.89%
1969-70	177191	0.61%	128467	10.73%	38013	4.94%	10711	8.98%
1970-71	178270	3.45%	131485	2.35%	35408	-6.85%	11377	6.22%
1971-72	184426	4.36%	135781	3.27%	36344	2.64%	12301	8.12%
1972-73	192464	3.66%	141104	3.92%	38491	5.91%	12869	4.62%
1973-74	199514	3.42%	147382	4.45%	38975	1.26%	13157	2.24%
1974-75	206338	4.92%	151678	2.91%	40907	4.96%	13753	4.53%
1975-76	216486	7.86%	154876	2.11%	45867	12.13%	15743	14.47%
1976-77	233505	5.49%	168458	8.77%	47496	3.55%	17551	11.48%
1977-78	246314	10.36%	178943	6.22%	48983	3.13%	18388	4.77%
1978-79	271843	-2.09%	201046	12.35%	50312	2.71%	20485	11.40%
1979-80	266161	2.92%	194570	-3.22%	50854	1.08%	20737	1.23%
1980-81	273930	9.42%	194948	0.19%	57053	12.19%	21929	5.75%
1981-82	299732	5.41%	210875	8.17%	64849	13.66%	24008	9.48%
1982-83	315957	8.28%	217809	3.29%	72559	11.89%	25589	6.59%
1983-84	342110	4.08%	240095	10.23%	74659	2.89%	27356	6.91%
1984-85	356053	4.07%	250198	4.21%	75534	1.17%	30321	10.84%
1985-86	370556	7.37%	258173	3.19%	79655	5.46%	32728	7.94%
1986-87	397871	5.39%	272357	5.49%	89410	12.25%	36104	10.32%
1987-88	419298	10.31%	287610	5.60%	92783	3.77%	38905	7.76%
1988-89	462511	8.63%	312046	8.50%	107787	16.17%	42678	9.70%
1989-90	502435	6.27%	339629	8.84%	115973	7.59%	46833	9.74%
1990-91	533915	5.53%	355841	4.77%	128109	10.46%	49965	6.69%

Author's Own Calculation

Source: Handbook of Statistics of Indian Economy, RBI (2022)

Note: Base Year 2011-12

Above table shows the Gross Value Added at Constant Prices and growth rate of industrial composition from 1951-1991 at basic price. Industry sector has an important contribution in India's GVA. The manufacturing sector also

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improved its GVA share in industrial sector from 1950-1991. The share of electricity, gas & water supply and mining and quarrying has shown a steady increase from 1950-51 to 1990-91. Growth rate of manufacturing, mining & quarrying and electricity, gas & water supply through the time period is fluctuating. The pre-reform period for industrial sector shows the sustained economic growth through the better implication of polices.

Table 2: Gross Value Added at Basic Prices and Growth Rate of Industrial Composition from 1991 to 2022 (At Constant Price, Rs Crore)

Years	Industry		Manufacturing		Mining & Quarrying		Electricity, Gas & Water Supply	
	GVA	AGR (%)	GVA	AGR(%)	GVA	AGR(%)	GVA	AGR(%)
1991-92	534526	0.11%	347306	-2.40%	132410	3.36%	54810	9.70%
1992-93	550280	2.95%	358039	3.09%	133629	0.92%	58612	6.94%
1993-94	587296	6.73%	388799	8.59%	135487	1.39%	63010	7.50%
1994-95	647862	10.31%	430872	10.82%	148072	9.29%	68918	9.38%
1995-96	727851	12.35%	497491	15.46%	156758	5.87%	73602	6.80%
1996-97	779994	7.16%	544759	9.50%	157628	0.55%	77607	5.44%
1997-98	801727	2.79%	545038	0.05%	173091	9.81%	83598	7.72%
1998-99	829564	3.47%	562107	3.13%	177981	2.83%	89476	7.03%
1999-00	872141	5.13%	592426	5.39%	185439	4.19%	94276	5.36%
2000-01	921781	5.69%	635668	7.30%	189727	2.31%	96386	2.24%
2001-02	941523	2.14%	650100	2.27%	193260	1.86%	98163	1.84%
2002-03	1007086	6.96%	694741	6.87%	209525	8.42%	102820	4.74%
2003-04	1061505	5.40%	738764	6.34%	215181	2.70%	107560	4.61%
2004-05	1141625	7.55%	793308	7.38%	232212	7.91%	116105	7.94%
2005-06	1237337	8.38%	867475	9.35%	246422	6.12%	123440	6.32%
2006-07	1413113	14.21%	1021780	17.79%	257982	4.69%	133351	8.03%
2007-08	1507486	6.68%	1093106	6.98%	269872	4.61%	144508	8.37%
2008-09	1558761	3.40%	1144085	4.66%	263137	-2.50%	151539	4.87%
2009-10	1709063	9.64%	1269564	10.97%	278970	6.02%	160529	5.93%
2010-11	1855738	8.58%	1367258	7.70%	316533	13.46%	171947	7.11%
2011-12	1857689	0.11%	1409986	3.13%	261035	-17.53%	186668	8.56%
2012-13	1941117	4.49%	1486873	5.45%	262609	0.60%	191635	2.66%
2013-14	2023417	4.24%	1560709	4.97%	263107	0.19%	199601	4.16%
2014-15	2186670	8.07%	1683938	7.90%	288685	9.72%	214047	7.24%
2015-16	2445982	11.86%	1903850	13.06%	317974	10.15%	224158	4.72%
2016-17	2650508	8.36%	2054764	7.93%	349248	9.84%	246496	9.97%
2017-18	2811690	6.08%	2209428	7.53%	329612	-5.62%	272650	10.61%
2018-19	2949954	4.92%	2328992	5.41%	326815	-0.85%	294147	7.88%
2019-20	2883735	-2.24%	2261294	-2.91%	321766	-1.54%	300675	2.22%
2020-21	2831535	-1.81%	2247740	-0.60%	294024	-8.62%	289771	-3.63%
2021-22	3110404	9.85%	2470822	9.92%	327984	11.55%	311598	7.53%

Author's Own Calculation

Source: Handbook of Statistics of Indian Economy, RBI (2022)

Note: Base Year 2011-12

Above table shows the Gross Value Added at Constant Prices and growth rate of industrial composition from 1991-2022 at basic prices. The share of manufacturing (Rs 347306 crore) also increases its contribution in GVA in 1991-92 and in 2021-22 it was (Rs 2470822 crore). It may also be noted that manufacturing industry are grouped under

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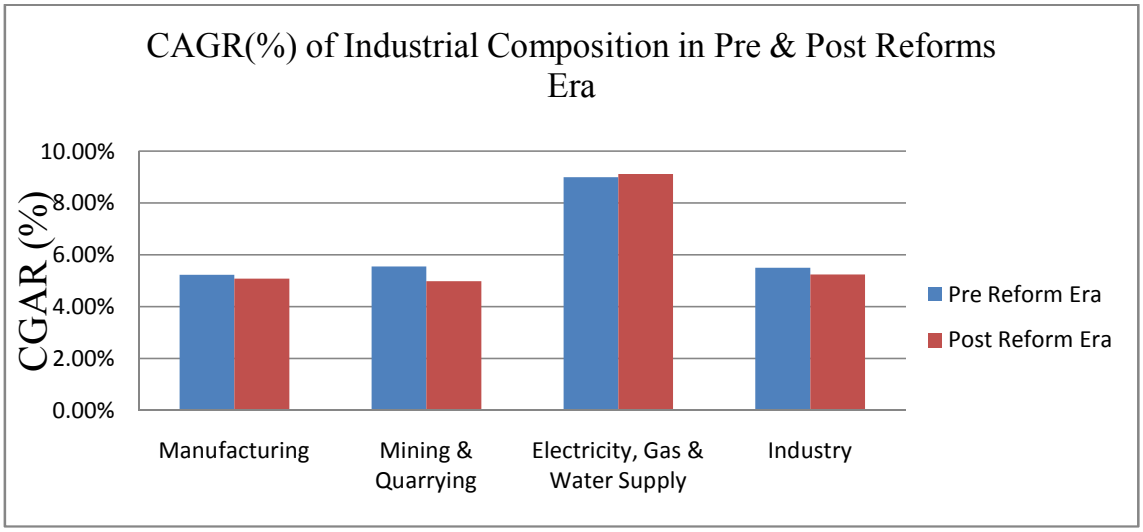
registered and unregistered. The share of manufacturing in GVA doubled during the period. Growth rate of industry was positive through the whole period but in 2019-2021 growth rate of industry was negative due to covid-19.

Figure: 1 Compound Growth Rate of Industrial Composition in Pre & Post Reform Era



Source: Author's Own Calculation

Above Figure shows the compound growth rate of industrial composition in the pre & post reform era. Before reforms period growth rate of manufacturing, mining & quarrying, electricity, gas & water supply and industry was respectively 5.23 percent, 5.54 percent, 8.99 percent and 5.50 percent. After reforms period there is no change in growth rate of industrial sector. The growth rate of electricity, gas & water supply sector was maximum as compared to other sector during the whole period.

VI. CONCLUSION

The study concludes that India's industrial policy has evolved through three major phases: the planned and controlled regime, the gradual liberalization phase of the 1980s, and the comprehensive reform period after 1991. While the industrial sector experienced steady growth during the 1980s, growth remained relatively stagnant during parts of the post-reform period. The New Industrial Policy of 1991 marked a turning point by encouraging competition, reducing licensing barriers, and promoting global integration. Although the overall industrial growth rate did not significantly improve after reforms, sectors such as electricity, gas and water supply consistently recorded higher growth. Overall, the study highlights that policy reforms played a crucial role in stabilizing and modernizing India's industrial sector, enabling it to compete in the global market and contribute to long-term economic development.

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