International Journal of Business and Management Invention (IJBMI)
ISSN (Online): 2319-8028, ISSN (Print):2319-801X
www.ijbmi.org || Volume 13 Issue 2 || February 2024 || PP 181-184

The Growth of Monopoly in Post-Independence inIndustries in India

Dr. Ravita Jain
Assistant Professor & Head Department of Commerce (PG), SMMPalwal

Dr. Ruchika Tuli
Assistant Professor in Management Saraswati Mahila Mahavidyalaya, Palwal

During many decades after independence, India was largely an agrarian economy. But for any economy to be globally successful it must have a robust industrial sector. And so for the first seven five-year plans India actively focused on industrial development through industrial policyformation.

Industrial development is a very important aspect of any economy. It creates employment, promotes research and development, leads to modernization and ultimately makes the economy self-sufficient. In fact, industrial development even boosts other sectors of the economy like the agricultural sector (new farming technology) and the service sector. It is also closely related to the development of trade.

The Indian economy was in distress at the brink of the country's independence. Being a colony, she was fulfilling the development needs not of herself, but of a foreign land. The state that should have been responsible for breakthroughs in agriculture and industry, refused to play evena minor role in this regard. On the other hand, during the half century before India's independence, the world was seeing accelerated development and expansion in agriculture and industry - on the behest of an active role being played by the states.

British rulers never made any significant changes for the benefit of the social sector, and this hampered the productive capacity of the economy. During independence, India's literacy was only 17 percent, with a life expectancy of 32.5 years. Therefore, once India became independent,systematic organisation of the economy was a real challenge for the government of that time.The need for delivering growth and development was in huge demand in front of the political leadership - as the country was riding on the promises and vibes of national fervor. Many important and strategic decisions were taken by 1956, which are still shaping India's economic journey.

But just after independence India's industrial sector was in very poor condition. It only contributed about 11.8% to the national GDP. The output and productivity were very low. We were also technologically backward. There were only two established industries – cotton andjute. So it became clear that there needed to be an emphasis on industrial development and increasing the variety of industries in our industrial sector. And so the government formed our industrial policies accordingly.

Control of the State

One of the biggest hurdles in industrial development was the lack of capital. Private industrialists did not have enough capital to build a new industry. And even if they did, the risk involved was too high. So in 1948, it was decided that state would play the primary role in promoting the industrial sector. So the state would have absolute and complete control over all industries that were vital to the economy and the needs of the public.

Coal, petroleum, aviation, steel etc. were all reserved exclusively for the state. The private sector could provide services complementary to those by the state. The public enterprises thus had a monopoly over the markets for many years to come.

Industrial Policy Resolution 1956

During the second five-year plan the industrial policy resolution came into action. The aim wasto introduce more private capital in the industry but in a systematic manner. So this resolution classified industries into three categories as seen below,

- First Category: Industries exclusively owned only by the State

- Second Category: Industries for which private sectors could provide supplementary services. These industries would still be mainly the responsibility of the State. And also only the State could start new industries.
- Third Category: The remaining industries which fell to the Private Sector.

While any private company or individual could start an industry falling in the third category it was not that simple. The state still maintained control over these industries via licenses and permits. Every new industry needed a license and many permits from the appropriate ministry. They even needed permissions and permits to expand the present industry.
The aim behind such an industrial policy was to keep a check on the quality of the products. It was also an important tool to promote regional equality, i.e. make sure industries were developedin economically backward areas.

Small Scale Industries

In 1955 a special committee known as the Karve Committee advised the promotion of small- scale industries for the purpose of rural development. It was believed that since small-scale industries are more labour intensive they would create more employment. Also, the manpower requirement of small-scale industries is semi-skilled or unskilled which was suitable for those times.
However, these small-scale industries cannot match up to large scale industries. So there were special goods and products reserved by the government. These could only be manufactured by small and medium scale industries. Such industries also got financial aid in form of loans and taxand duty breaks.

Strengthening of Infrastructure for Industrial Development

One of the first requirements for the development of the economy is to improve the infrastructureof the country. The various other sectors of the economy cannot develop without the support of infrastructure facilities like transport, rail, banking communication etc.

So to develop these industries the government formed appropriate industrial policies. The development of most of these industries fell to the public sector. Like for example, the rail industry to this day remains firmly in the public sector.

Promotion of Capital Goods Industry

Capital goods are goods used in the production of other goods. Capital goods are not for direct sale to the consumer. But they are a hallmark of a good industrials sector. So the government decided to focus on the capital goods industry for the development of our industrial sector.

So the Mahalanobis model came into effect in the second five-year plan. The focus here was on heavy industries, especially those that produce capital goods. This was to create a robust capital base for the economy. So industries of heavy metals, chemicals, machine building, tools, electrical etc. all saw growth in this period.

Such industries have massive capital requirements. But the government ensured they had enough capital to function smoothly. Soon there was a development of high-tech goods in the market as well.

Capitalist industrialization in India after independence, as pointed out earlier, was one of the specific cases of the larger process of diffusion of industrialization to the Third World that took place in the second half of the twentieth century. In the Indian case, the level of such industrialization and its transformative impact did not match that of some of its counterparts. Nevertheless, Indian capitalism did experience an advance through that industrialization which not only expanded the scale of industrial output but also brought about, like in all Third World industrializes a significant diversification in its structure over time. Indeed, given that Indian industrialization was based on a narrow domestic market, diversification in fact was crucial tothe long run expansion of industrial output. With such diversification also increased the technological sophistication levels of Indian industry.

One of the key features of Indian industrialization was its consistent dependence on the diffusion of technology from abroad. The new products, industries and processes that appeared in the Indian industrial sector had their origins in the international process of technological development and change. While the ability of Indian capitalism to handle and operate

Sophisticated technologies was thus enhanced, it did not acquire the capacity to itself generate significant technological development. Thus while the maintenance of relative autonomy had limited the penetration of foreign capital's direct presence in India, industrial growth and diversification also increased the foreign technological penetration of Indian capitalism.

But an industrialization process based on a successive diffusion of industries from abroad meant that the industrial structure had an inherent tendency towards convergence with that at the international level. Each diversification closed the gap between the structure of industries at the international level and that in India. This had to mean that eventually the process of industrial expansion in India had to mirror that of the international process of accumulation or constitute a niche within it. In either case, constant technological change on a generalized basis, at the same pace at which it :;took""place at the international level;· had to become a necessity for sustainingindustrial expansion in the absence of any rapid widening of the domestic market.

Indian capitalism's development had to become more crucially dependent on it being able to access the more recent technological developments, and access them recurrently. This meant that it was in the very character of Indian industrialization that, rather than endowing it with self- sufficiency, it in fact enhanced the degree of its technological dependence, making an increased integration. The transformation that Indian capitalism had experienced by the end of the 1980s had a dual character. At one level it marked the coming of age of Indian monopoly capital as it acquired capabilities that it did not possess at independence. Collectively, Indian monopoly capital had through the process of industrialization since independence "caught up" with its international counterpart in terms of the industries it operated in, the kind of technologies it handled, the demand pattern it responded to, and the scale of investments it could undertake. These also altered the accompanying structure of monopoly power marked by the closer relationship between monopoly capital and oligopolistic dominance.

But at another level, this coming of age of was also limited to that which had been possible within the historical confines of Indian capitalism, and thus increased the critical minimum dependence on diffusion of technology. This set the stage for the surrender of the relative autonomy of Indian capitalism that had been the basis for that advance. As long as expansion through diversification in a protected market was possible, diffusion of technology and itscorresponding requirements of imports and foreign capital penetration was required in relatively limited doses and could be regulated by the State. But a degree of generalized opening up wasthe precondition for Indian capital to recurrently harness the advances in technology. This then created an impetus in Indian capitalism for an increased integration with international capitalism that was based on its autonomous interests with international capitalism a necessity for Indian capitalism's development.

The emergence of this impetus didn't signify any fundamental change in the dual character of Indian monopoly capital with regard to its relationship with international monopoly capital. The heightened competition that greater integration inevitably meant was a logical corollary of the need for increased collaboration, and the former only reinforced the latter. The threat posed by increased competition did not act as a major inhibiting factor towards greater integration. Not only had Indian capital within limits acquired some capacity to compete as a result of itsdevelopment, the exposure to greater international competition only strengthened the tendency towards liberalization by creating an additiona1 need, that of withstanding that competition, for greater 'freedom' being accorded to Indian capital to pursue its strategic imperatives. Thus much of the edifice of State regulation that had been constructed since independence became an anachronism as a result of the very development that it had made possible.

Conclusion

Indian capital's own need for increased integration, and the increased competition that was a corollary of that integration, thus made liberalization of economic policy also its own agenda and not merely a result of external pressures that were no doubt also present. What was ·a class necessity would also have been felt as an individual necessity by oligopolistic monopoly enterprises as the necessary basis for the reproduction of their dominance and therefore provided the basis for the self-appreciation by the class of that need. This self-appreciation ensured that there was no major resistance from any segment of Indian monopoly capital to liberalization and contributed to giving the process durability.

References

[1]. Athreye, S. and Kapur, S. 2001. Private foreign investment in India: pain or panacea?.The World Economy, 24: 399–424.
[2]. Bain, J. S. 1956. Barriers to New Competition, Cambridge: Harvard University Press.
[3]. Basant, R. and Morris, S. 2000. Competition policy in India—issues for a globalising economy. Economic & Political Weekly, 35: 2735–2747.
[4]. Basant, R. and Saha, S. N. 2004. "Determinants of entry in the Indian manufacturing sector". Ahmedabad: Mimeo, Indian Institute of Management.
[5]. Beena, P. L. 2004. "Towards understanding the merger wave in the Indian corporate sector: a comparative perspective". Trivandaram: Centre for Development Studies. Working paper 355
[6]. Bhattacharjea, A. 2003. "Trade, investment and competition policy: an Indian perspective". In India and the WTO, Edited by:

Mattoo, A. and Stern, R. Oxford: Oxford University Press.
[7]. Boyd, D. and Smith, R. 2000. “Some econometric issues in measuring the monetary transmission mechanism with an application to developing countries”. London: Birkbeck College. Discussion papers 15/2000
[8]. Cable, J. and Morris, C. 1999. “Market share instability and the competitive process: a case study of the UK daily newspaper market”. University of Aberystwyth. Aberystwyth economic research papers 99–7
[9]. CMIE (various years). Industry: Market Size and Shares, Mumbai: Economic IntelligenceService, Centre for Monitoring the Indian Economy.
[10]. Curry, B. and George, K. D. 1983. Industrial concentration: a survey. Journal of Industrial Economics, 31: 203–255.
[11]. Davies, S. 1980. Minimum efficient size and seller concentration: an empirical problem. Journal of Industrial Economics, 28: 287–301.
[12]. Davies, S. 1991. “Concentration”. In The Economics of Industrial Organisation, Edited by: Davies, S., Lyons, B., Dixon, H. and Geroski, P. London: Longman.
[13]. Davies, S. and Geroski, P. 1997. Changes in concentration, turbulence, and the dynamics of market shares. Review of Economics and Statistics, 79: 383–391.
[14]. DeLong, B. 2003. “India since independence: an analytic growth narrative”. In In Search of Prosperity: Analytic Narratives on Economic Growth, Edited by: Rodrik, D. Princeton University Press.
[15]. Driffield, N. 2001. Inward investment, industry concentration and the speed of adjustment. Welwirtschaftliches Archiv, 137: 193–214.
[16]. Gang, I. 1995. “Small firms in India: a discussion of some issues”. In Indian Industry: Policies and Performance, Edited by: Mookherjee, D. Delhi: Oxford University Press.
[17]. Geroski, P. and Mazzucato, M. 2003. “Advertising and the evolution of market structure in the US car industry”. In Competition, Monopoly and Corporate Governance, Editedby: Waterson, M. Aldershot: Edward Elgar.
[18]. Jacobsson, S. and Alam, G. 1994. Liberalisation and Industrial Development in the Third World: A Comparison of Indian and South Korean Engineering Industries, Delhi: Sage Publications.
[19]. Kambhampati, U. S. 1996. Industrial Concentration and Performance: A Study of the Structure, Conduct and Performance of Indian Industry, Delhi: Oxford University Press.
[20]. Kambhampati, U. S. and Kattuman, P. A. 2003. “Growth response to competitive shocks—market structure dynamics under liberalization: the case of India”. ESRC Centrefor Business Research, University of Cambridge. Working paper No. 263
[21]. Levy, D. 1985. Specifying the dynamics of Industry concentration. Journal of Industrial Economics, 34: 55–68.
[22]. Pesaran, M. H. and Smith, R. 1995. Estimating long-run relationships from dynamic heterogeneous panels. Journal of Econometrics, 68: 79–113