

Impact of Liberalization Policy, New Manufacturing Policy and Make in India Programme on Employment in Small Scale Industry of Punjab

Sukhwinder Kaur, Asst. Prof., Dept. of Economics, G.G.D.S.D. College, Haryana (Hoshiarpur)

Abstract :-

For economic development of any state, growth in employment opportunities is the pre requisite. So this study analyze growth of employment in SSI of Punjab and overall industrial employment in Punjab . On the basis of year to year growth and compound annual growth rates for the period ranging from 1980-1981 to 2018-2019 i.e. total 39 years period, this study found that employment increased in absolute numbers and share of employment in SSI of Punjab increased 70.70 percent 1980-1981 to 80.59 in 2002-2003. This share further increased to 83.21 in 2016-2017. This study also reveals that impact of make in India's programme is remarkable and really considerable on employment in SSI of Punjab. CAGR's for this period is maximum i.e. 10.58 percent in SSI and 10.22 percent in overall industrial employment in Punjab.

Keywords :-

Economic Development, Economic Policies, Liberalization ,Manufacturing Policy,Make in India Programme, Employment and Small Scale Industry (SSI).

SECTION I

Introduction :-

Economy of Punjab undergone a remarkable pattern of growth and structural changes especially after new Industrial Policy 1991. At the time of independence Punjab was basically an agrarian economy and industrially backward economy. The industrial position of Punjab get worse after reorganization of Punjab in 1996. In order to promote industrialization Punjab government established so many corporations. The Punjab Financial Corporation (PFC) came into existence in 1953, Punjab Small Industries and Export Corporation (PSIEC) in 1962, Punjab State Industrial Development Corporation (PSIDC) in 1966, Punjab Agro Industries Corporation (PAIC) in 1966 and Punjab Information and Communication Technology Corporation

(INFOTECH) in 1976 came into existence. All these institutions play an important role to promote and revive industrialization in Punjab.

As we all know in India states are under the central government decisions and any change in the centre level and in any central policy always effects states and their growth. In the post independence economic history of India 1991 is memorable year. During this year our economy faced so many serious crisis like serious balance of payment position, problem of foreign exchange , inflation in the economy and most importantly lack of financial assistance from international financial institutions like World Bank and International Monetary Fund (IMF).

Due to the visionary act of our then Finance Minister Dr. Manmohan Singh, these crisis were converted into opportunity and he introduce Structural Adjustment Programme's (SAP). Under SAP liberalization, privatization and globalization were introduced in the economy . The main objectives of these programmes was to increase the efficiency of the economic system, so under these reforms barriers on entry and growth of firms were removed.

A new process of liberalization was initiated to give a boost to the economy of India and all states. Punjab's economy also undergone a spectacular changes during the reform era.

In recent years our economy is also facing serious challenges. Firstly population in our country is increasing at an alarming rate and to provide employment to huge work force is a serious challenge in front of all centre and state government's. Secondly our markets are filled up by cheap products made by China and growth of manufacturing sector in China is a big challenge.

In order to make India a manufacture hub and to generate employment opportunities for our youth Government of India introduced New Manufacturing Policy on 4th November, 2011 and Make in India Programme, 2014.

In this paper impact of Liberalization Policy 1991, New Manufacturing Policy ,2011 and Make in Programme, 2014 on the employment in industries in Punjab has been examined. In the end of paper forecasts are also made regarding the employment opportunities in small scale industries of Punjab. Apart from this some suggestions are given to increase the employment opportunities in industries of Punjab.

SECTION II

Objectives of the Study :-

The present study is an effort to investigate the growth of employment in Small Scale Industry (SSI) in Punjab. In this paper an attempt has been made :-

- To study the impact of Liberalization Policy, 1991 on employment in Small Scale Industry and overall industrial employment in Punjab.
- To study the impact of National Manufacturing Policy ,2011 on employment in Small Scale

Industry and overall industrial employment in Punjab.

- To Study the impact of Make in India Programme, 2014 on employment in Small Scale Industry and overall industrial employment in Punjab.
- To examine the forecasts of employment in industries in Punjab.
- To suggest some measures to increase employment opportunities in industries in Punjab.

This paper is divided into six sections. In first section introduction is given. In the second section objectives of the study are explained. In third section database and methodology are discusses in detail. In section four impact of Liberalization Policy, 1991, New Manufacturing Policy, 2011 and Make in India Programme, 2014 on employment in SSI and overall industrial employment in Punjab has been examined. In fifth section forecasts of employment in SSI of Punjab are made. In sixth section present study is concluded and some suggestions are given in this part to increase employment opportunities in industries in Punjab.

SECTION III

Database and Methodology :-

This paper is based on secondary data of last 39 years i.e. 1980-1981 to 2018-2019 . The data for this study has been taken from Directorate of Industries, Punjab (data for the year 2018-2019 is provisional). In this study impact of national policies (Liberalization Policy 1991, National Manufacturing Policy, 2011 and Make In India Programme, 2014) on employment opportunities in industrial sector in Punjab has been analyzed. For this purpose impact of these national policies on Small Scale Sector of Punjab is studied in detail and percentage share of employment in SSI in Punjab to employment in overall industrial sector in Punjab is calculated. To calculate this percentage share following formula is used

$$\frac{\text{Employment in SSI of Punjab}}{\text{Overall industrial employment in Punjab}} * 100$$

Year to year growth rates in SSI and overall industrial employment in Punjab are calculated by using Statistical Package for Social Sciences (SPSS). Compound Annual Growth Rates (CAGR's) for 1980-1981 to 1990-1991 (Pre Liberalization) ,1991-1992 to 2010-2011(Post Liberalization), 2011-2012 to 2013-2014 (Post Manufacturing Policy) ,2014-2015 to 2018-2019 (Post Make in India Programme) and 2011-2012 to 2018-2019 are calculated by using the exponential function.

$$Y_t = \beta_0 \beta_1^t e^{ut} \dots\dots\dots (1)$$

Here Y_t is dependent variable, β_0 and β_1 are parameters, ut is disturbance term. We can write

equation 1 into logarithmic form as follows

$$\log Y_t = \log \beta_0 + t \log \beta_1 + U_t \dots\dots\dots(2)$$

The above equation was estimated by applying Ordinary Least Square (OLS), CAGR's are obtained by taking antilog of estimated regression coefficient, subtracting 1 from it and multiplying this by 100

$$CAGR's = (A.L. \beta_1 - 1) \times 100$$

In order to calculate projected growth of employment in SSI of Punjab Statistical Package for Social Sciences is used.

SECTION IV

Results and Discussion :-

In this section ,in order to study the impact of Liberalization Policy 1991, National Manufacturing Policy, 2011 and Make in India Programme, 2014 on employment in Small Scale Industry of Punjab total study period of 39 years is divided into various sub- parts. These sub parts are discussed in detail in the forthcoming paragraphs. To analyze in detail year to year growth rates and CAGR's of SSI employment and overall industrial employment in Punjab are calculated. Ratio of employment in SSI to overall industrial employment is also calculated.

Part 1 (1980-1981 to 1990-1991) :-

The main motive to study this period is to study industrial employment in SSI of Punjab before liberalization policy 1991. As we can analyze the impact of liberalization only if we are aware about previous position. The disturbances in the economy starts in this period and it was a challenging period for Indian as well as Punjab economy. The position of employment in this period is depicted in Table 1 and Table 2.

Table 1

Year to Year Growth of Employment in Small Scale Industry (SSI) and Overall Industries and Percentage Share of Employment in SSI to Total Industrial Employment in Punjab before Liberalization (1980-1981 to 1990-1991)			
Year	Employment in SSI	Total Industrial Employment	% Share of SSI to Total Industrial Employment in Punjab

1980-1981	18.26	16.52	70.70
1981-1982	14.83	12.97	71.86
1982-1983	11.78	8.75	73.86
1983-1984	11.43	9.43	75.52
1984-1985	12.04	10.36	76.36
1985-1986	9.50	7.40	77.86
1986-1987	8.30	8.17	77.95
1987-1988	8.38	7.89	78.30
1988-1989	8.94	8.35	78.72
1989-1990	6.66	6.46	78.87
1990-1991	5.50	6.52	78.12

Source : Author's own calculations on the basis of Data taken From Directorate of Industries, Punjab

Table 2

CAGR's		
Period	SSI %	OVERALL%
1980-1981 to 1990-1991	8.79	7.80

Source : Author's own calculations on the basis of Data taken From Directorate of Industries, Punjab

Table 1 shows that during pre liberalization period year to year growth of employment in SSI of Punjab dropped from a very high rate of growth of 18.26 percent in 1980-1981 to mere 5.50 percent in 1990-1991. Growth rate of overall industrial employment in Punjab also dropped from 16.52 percent in 1980-1981 to 6.52 percent in 1990-1991. But the percent share of employment in SSI to overall industrial employment of Punjab continuously increased. In 1990-1991 share of SSI employment was 78.12 percent .

Table 2 depicts CAGR's before liberalized period . CAGR's for employment was high i.e. 8.79 percent as compare to overall industrial employment in Punjab (i.e. 7.80 percent).

Part 2 (1991-1992 to 2010-2011) :-

In this part effects of liberalization policy 1991 on employment in SSI and overall industrial employment are shown. Liberalization process effects the Indian economy at a large extent and its effect on employment opportunities in Punjab are discussed through Table 3 and Table 4.

Table 3

Year to Year Growth of Employment in Small Scale Industry (SSI) and Overall Industries and Percentage Share of Employment in SSI to Total Industrial Employment in Punjab before Liberalization (1991-1992 to 2010-2011)			
Year	Employment in SSI	Total Industrial Employment	% Share of SSI to Total Industrial Employment in Punjab
1991-1992	6.37	5.73	83.09
1992-1993	2.97	1.70	79.57
1993-1994	3.18	3.33	79.46
1994-1995	2.80	2.46	79.73
1995-1996	3.25	3.92	79.22
1996-1997	2.35	2.74	78.91
1997-1998	2.36	2.03	79.17
1998-1999	2.86	2.90	79.14
1999-2000	2.13	2.42	78.91
2000-2001	1.66	0.74	79.63
2001-2002	1.29	1.16	79.74
2002-2003	1.19	0.12	80.59
2003-2004	1.08	1.85	79.98

2004-2005	1.47	-0.83	81.83
2005-2006	0.81	0.94	81.73
2006-2007	-1.33	-2.33	82.48
2007-2008	1.71	3.18	81.33
2008-2009	-1.10	-0.86	81.11
2009-2010	3.67	3.33	81.38
2010-2011	2.44	0.89	82.63

Source : Author's own calculations on the basis of Data taken From Directorate of Industries, Punjab

Table 4

CAGR's		
Period	SSI %	Overall %
1991-1992 to 2010-2011	1.73	1.48

Source : Author's own calculations on the basis of Data taken From Directorate of Industries, Punjab

Table 3 depicts that liberalization process adversely effects employment in industries in Punjab, Although share of employment in SSI to overall industrial employment increased over the year. At the end of this period this share was 81.38 percent but growth of employment dropped continuously even during 2006-2007 and 2007-2008 growth rate becomes negative. Similar trends are shown by overall industrial employment in Punjab.

In Table 4 CAGR'S for post liberalization period are shown. CAGR'S for employment in SSI was 1.73 whereas for overall industrial employment was 1.48 percent. If we compare Table 4 with Table 2, we can conclude that CAGR's decelerated sharply during post liberalization period.

Part 3 (2011-2012 to 2018-2019) :-

In part 3 we studied the effects of New Manufacturing Policy 2011 (2011-2012 to 2013-2014) and Make in India Programme, 2014 (2014-2015 to 2018-2019). The main motive of these policies was to generate employment in India. In this part an attempt has been made to analyse the effect of these policies on employment in SSI and overall industrial employment in Punjab, the effects are discussed in Table 5 and Table 6.

Table 5

Year to Year Growth of Employment in Small Scale Industry (SSI) and Overall Industries and Percentage Share of Employment in SSI to Total Industrial Employment in Punjab before Liberalization (2011-2012 to 2018-2019)			
Year	Employment in SSI	Total Industrial Employment	% Share of SSI to Total Industrial Employment in Punjab
2011-2012	3.06	4.82	81.25
2012-2013	4.26	3.60	81.77
2013-2014	3.27	2.94	82.08
2014-2015	2.36	2.10	82.23
2015-2016	5.31	5.13	82.38
2016-2017	12.35	11.23	83.21
2017-2018	10.39	12.63	81.55
2018-2019	26.57	23.52	83.57

Source : Author's own calculations on the basis of Data taken From Directorate of Industries, Punjab

Table 6

CAGR's		
Period	SSI	Overall
2011-2012 to 2013-2014	2.49	2.17
2014-2015 to 2018-2019	10.58	10.22
2011-2012 to 2018-2019	7.79	7.41

Source : Author's own calculations on the basis of Data taken From Directorate of Industries,Punjab

A closer look at Table 5 shows that impact of New Manufacturing Policy 2011 on employment generation was not remarkable both in SSI and overall industrial employment in Punjab. But Make in India Programme effects positively and after 2014-2015 growth rates are

replaced by higher growth rates. For 2016-2017 employment growth rates shows considerable growth, in this year growth of employment in SSI was 12.35 percent and overall industrial employment was 11.23 percent.

Table 6 shows CAGR's. CAGR's are much higher during 2014-2015 to 2018-2019 as compare to CAGR's of 2011-2012 to 2013-2014. CAGR's of employment in SSI are 7.79 percent and CAGR's for overall industrial employment are 7.41 percent. From this analysis we can say that make in India programme positively effects employment in industries of Punjab.

SECTION V

Projected Growth Rates of Employment in SSI in Punjab :-

In this part projected growth of employment in SSI in Punjab are calculated by using SPSS. By using statistical package for social sciences line of best fit is calculated. The line is

$$Y = 26766.64 X + 309920.79$$

On the basis of this line, projected values for coming six years are calculated and are shown in Table 7.

Table 7

Forecasts of Employment in SSI of Punjab	
Year	Forecasts of Employment
2019-2020	1380585
2020-2021	1407353
2021-2022	1434120
2022-2023	1460886
2023-2024	1486653
2024-2025	1514420

Source- Author's own Calculations.

Study of table 7 reveals that employment in SSI of Punjab is expected to increase in the coming years from 1380584 in 2019-2020 to 1434120 in 2021-2022, to 1487653 in 2023-2024 and to 1514420 (in numbers) in 2024-2025.

From the results and discussion section of this study it is clear that liberalization policy 1991 adversely effects employment in industrial employment in Punjab especially in SSI. Since 2011, when New Manufacturing Policy came into existence growth of employment in SSI in Punjab remain positive but considerable change in growth of employment in industries is result of Make in India Programme, 2014. On the basis of forecasts of employment growth in SSI of Punjab we can say that the employment in SSI is expected to grow at a large extent.

SECTION VI

Conclusion :-

On the basis of study of this paper we can suggest that national policies effects performance of growth variables at a large extent. As due to liberalization and privatization policy growth of employment in SSI of Punjab is adversely effected but make in India programme play an important role in the growth of employment opportunities in SSI of Punjab. In short a conscious policy on the part of centre government as well as state governments are required. Special subsidies and tax holidays can be planned to promote industries and employment opportunities in industries, especially in agrarian state of Punjab. An efforts can be made to promote agro industries to promote industry as well agriculture and this will subsequently increase employment in agriculture as well as in industries of Punjab.

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