

Eco 402: Development Economics: Experiences

Group-B

Unit-3: Inclusive Growth and Development of Backward Regions

Lecture-II

INDIAN EXPERIENCE

Like any other developing countries, there exist regional disparities in India. There are a few enclaves with a concentration of industries, and there are many pockets of underdevelopment. There exist both inter-state and intra-state disparities. Various incentive schemes and location policies are geared to industrial dispersion through government intervention for the removal of regional inequalities in industrial growth. The problem was identified as early as at the beginning of the five-year plans in the early 50s.

In 1968, the Planning Commission of India appointed two working groups. The *first working group* was “**the Pande Committee**”, appointed to identify back-ward areas. The *second working group* was “**the Wanchoo Committee**”. The committee suggested fiscal and financial incentives for starting industries in those backward areas. In 1978 “**the Sivaraman Committee**” was committee was formed as “*the national committee on the development of backward areas*”. The committee submitted its report in 1981. In that report the committee identified *various structural factors which inhibit development in backward areas*. The committee identified five types of areas, which were classified as *fundamental backward areas*. These five types of areas were as follows:

1. Tribal,
2. Hill,
3. Desert and Drought-prone,
4. Chronically flood-affected areas,
5. Coastal areas affected by salinity

These areas are basically characterized by the absence of any manufacturing activities. In view of this, the Government of India introduced the concept of 'no industry' districts in March 1982. . The Government of India also introduced a scheme of assistance in April 1983. The scheme was to subsidize infrastructural development of the area. Based on the level of economic and industrial development, the Government of India classified backward districts into three categories, viz., A, B and C categories. Subsidies are provided for setting up industries in these districts according to their categories. In fact, 87 such districts were

identified as “no industry” districts for setting up of “nucleus plants”. It is noteworthy that “the no-industry district is one where there is no industry requiring a capital investment in plant and machinery equal to or exceeding Rs 10 million” (Bandyopadhyay and Datta, 1989). There are several other programmes meant for backward areas presented in the table below:

Table-1: Various on-going programmes in backward areas in India

Programme	Area and target group
Area-specific, problem-oriented	Drought-prone area programme (DPAP); hill-areas development programme (HADP); tribal-areas development programmes (TADP); command-area development programme (CADP); integrated rural development programme (IRDP)
Special-purpose programmes	Food-for-work programmes (FWP); employment guarantee scheme (EGS); forest development schemes (FDS); intensive animal-husbandry programme (IAHP)
Incentive schemes	Investment subsidy; concessional finance; transport subsidy schemes; credit guarantee scheme (CGS)

Recently serious doubts have been raised about the effectiveness of the strategy of 'mother industry' for backward-area development. Some experts argue that unless some alternative and supplementary measures are taken, the introduction of mother industry may dampen the effects of development. It will, of course, create some skilled employment and availability of infrastructure. However, this will only benefit a few, bypassing the target groups. Independent of this concept of mother industry, therefore, the need for an alternative strategy for benefiting the economically poor people of the backward areas is felt, and the basic aim in this study is to explore such an alternative.