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Understanding Industrial Decline of West Bengal in 1960s

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ABSTRACT

West Bengal used to occupy the industrial landscape of India; industrially the most developed province during the British period and immediate after the independence. But her industrial performance started declining and became an industrially stagnant province after 1970s. Popular perception goes by the logic of militant trade-unionism of the communists but that does not reflect the complete picture of the causes behind the industrial deceleration in West Bengal.

This is an attempt to revisit the issue afresh.

INTRODUCTION

Studying a particular province as a unit of analysis slicing out of national frame involves complexities. Situation becomes more aggravated when one tries to analyze policy regime of a province in a quasi- federal framework. The case of India is special in the sense that its power to formulate economic policy rests at the hands of the Union government and the state governments are supposed to follow the central policy directives. Article 302 of Indian Constitution says that Parliament may enact law imposing or directing such restrictions on the freedom of trade and commerce between one State and another or within any part of the territory of India as may be required in the public interest. It appears that Indian Parliament or in other words, Union government has the exclusive power to control, guide and direct trade and commerce within its territory. Provincial governments are to carry out the central directives in this regard. In this context, scanning the development of a particular state government will invite more questions than answer. But at the same time, it is equally true each Indian province acquires distinctive traits for their socio-economic and linguistic paraphernalia. Gradually each province succeeds to establish its own distinguishing mark of identity in terms of linguistic, racial, political and economic development. West Bengal identifies itself in the Indian panorama as distinctive unit for its industrial perspective; the most industrially developed province became industrially sick. The radicalism of the communists were squarely blamed for this unfortunate fate of Bengal. It is no denying that militant trade unionism made some adverse impact upon the investors; but that is not all. The scholars have another story in stock to find out the reasons behind deceleration of industrial pace in West Bengal.

A brief introduction of West Bengal:

West Bengal a constituent part of India, located in Eastern Region of India on the Bay of Bengal. On her north Nepal and Bhutan. It is India's one of the populous state, with over 90 million inhabitants. It has a total area of 34,267 sq mi (88,750 km²). A part of the ethno-linguistic Bengal region, it borders Bangladesh in the east. It also has borders with five Indian states including Bihar, Jharkhand,

Orissa, Assam and Sikkim. Geographically West Bengal has hill stations and sea shores together. Placed in the north eastern corner of India, West Bengal extends from Bay of Bengal to the Himalayan foothills. Fertile land on the Indo-Gangetic plain gives enough resources to sustain one of the most populous state of India. Till 1911 Kolkata was the capital of India and the center for attraction in all spheres of life. Before independence West Bengal was the most industrialized region and Kolkata was the industrial capital of India.

Development Agenda of Independent India

Development, prime issue and responsibility of any government too, be it national or provincial, becomes a buzzword in today's political world. Although there are some scholars (*Arturo Escobar*) contesting the idea of ideological neutrality of development, but it is true that after globalization, development has acquired a household name in every country especially the underdeveloped and developing countries. More specifically speaking industrial development gathers momentum in recent days. From the days of Scottish Enlightenment, industrial society is regarded as the emblem, measuring rod or sign of civility or developed society. India since her independence is running after desired development in a planned manner. Nehru-Mahalanabis model of development acquired prominence in the post-independence era ignoring the other models of development. Experts are of opinion that there was very little scope to weigh the other options for India's development. The subjective and the objective atmosphere of the then world compelled India to tread on the path of modern industrialization. The nationalist leaders were very much skeptical about the preservation of newly won independence. To protect and preserve the independence, it was required to be self-dependent and for that reason import-substitution model and rapid industrialization were introduced. Engrossed by the planned development in the communist countries especially erstwhile Soviet union, Nehru put his energy to replicate the same in Indian soil. The large-scale industrial drive provided rich dividend. GNP showed impressive growth compared to earlier decades. But at the same time, lot of problems became entangled with the planned and state directed economy, started showing its tentacles. Bureaucratic red-tapism, License Raj in the name of controlling monopoly businesses created ruckus among the private players. The Indian state became overloaded while trying fulfilling the welfare promises.

Under this circumstance, West Bengal had to work. From the very beginning, West Bengal had been a problem state. It had to suffer from the partition related problems, its economy got tremendously affected by the partition, and refugee related issues put stress on her economy. It is widely believed that West Bengal suffered a lot due to partition of India. Before independence West Bengal acquired the prominent place in the industrial landscape of India. Industrial and commercial activities were operated from this province. Gradually the state became industrially sick despite its immense resource and potentiality. West Bengal lost its glory of economically developed province. Politically after mid-1960s Bengal had been designated as troubled state

1) From independence to 1976:

British colonizers started their strong foothold first in Bengal and for two centuries, its socio-economic, cultural aspects came under the direct influence of colonial rule. Western values deeply affected Bengal's cultural, religious, educational and economic system. "The traditional culture of West Bengal have thus been deeply affected by and inter-woven with ideas and form of social organization resulting from the West; and the economy of this area has of course been seriously altered"ⁱ Kolkata was the capital of India till 1911 and received prime attention for her development. The destructive and regenerative role of the British government propelled changes in her economy. Industrial and commercial activities got momentum during colonial regime. Business activities centered round Kolkata. Conducive atmosphere for industrial economy like infrastructural facilities, vast market, and skilled employees facilitated economic growth. Prior to independence West Bengal led the nation in

economic front. "In 1946, West Bengal had a larger number of factories and factory employees than any other province in India"ⁱⁱ. She outnumbered other provinces in terms of large industrial units and industrial employment. Kolkata was regarded as the industrial capital of India. Easy availability of raw material, infrastructural facility, developed transport and communication network made West Bengal the leading industrial hub of India. Initial years after independence, she maintained the position. In terms of registered factories West Bengal topped the list (1493). In 1950-51 share of industrial production was one-fourth of the national production.

Table-1: Employment in factories in India and West Bengal 1951-1964 in percentage (%)

Years	India	West Bengal
1951	100	22.47
1956	100	20.5
1960	100	19.21
1964	100	19.21

Source: Statistical Abstract for the Indian Union, 1967, New Delhi, GoI, Central Statistical Organization.

Table-2: Net Domestic Product of Some States

States	NDP in 1950-51 (in Crores)	% of share
West Bengal	1,239.82	11.6
Maharashtra	1194.83	11.2
Tamil Nadu	737.13	6.9
Gujrat	619.64	5.8
Bihar	700.41	6.6
India	10657.64	100.0

Source: 'Agony of West Bengal', by Ranajit Roy, Second Edition, 1972

Despite its promising growth in industrial sector during the first two plan periods, partition became a menace in the economic development of Bengal especially in agricultural sector which affected the industries as well. The two parts of Bengal were intensely connected with and dependent on each other. The Eastern half with its fertile land produced best quality jute and other crops facilitating industrial production in the Western half. The manufactured goods produced in the Western part of Bengal were consumed in the East. Mutual dependency of production and consumption was severely disrupted as the communication routes (rail, water and air) were cut off. With the partition most of the rich, fertile and alluvial soil went to East Pakistan culminating in the crisis of food and raw material supply in its western counterpart. The agro-based industry like Jute mills on the bank of Hooghly River faced tremendous shortages of raw jute. Another important agro-based industry -tea industry- faced the similar fate due the communication disruption with the north-eastern parts of India and thereby made West Bengal lose this important commercial activity. Large tea and other industrial market was lost due to partition. Around 4 million refugees crossed over to the west thereby created a huge economic and administrative burden before West Bengal. Over the decade

of 1950-'60 growth rate of population of West Bengal surpassed the national average 32.80: 21.64 (Bagchi, p-2974) .

Besides, poor rainfall or bad monsoon for successive years put Bengal's agriculture in stagnant situation. Early 1960 to the mid-1960 food grain production in West Bengal was severely hit culminating declining in production. Similarly deficit in cereals and requirement was alarming.

Table- 3: Production of Food grains in West Bengal (1960-'61- 1966-'67)

Year	Production in Tons	Year	Production in Tons
1960-'61	5,936	1964-'65	6259.10
1961-'62	5,255.10	1965-'66	5448.30
1962-'63	4868.70	1966-'67	5337.20
1963-'64	5827		

Source: Directorate of Agriculture, Government of West Bengal.

Table-4: Deficit in cereals in West Bengal during 1961-'67 in tonnes

Year	Net production	Requirement	Deficit	Deficit in %
1961	48.74	57.82	9.08	18.63
1962	44.37	59.43	15.06	33.94
1963	41.37	60.93	19.56	47.28
1964	49.87	62.75	12.88	25.82
1965	51.52	64.07	12.55	24.35
1966	45.61	65.73	20.12	44.11
1967	45.37	67.22	21.85	48.16

Source: Food and Supplies Department, Government of West Bengal

Crisis in mid-sixties: A decade long economic recession especially decelerated industrial growth from mid-sixty to mid-seventy coupled with political turmoil pushed India into a critical juncture. Industrial growth recorded as 7.1% on an average. Industrial production during first three five year plans were 5.75%, 7.5% and 8.1% respectively because plan expenditure increased up to 70% in second and 80% in third plan period (T.P.Bhat, 2014). The industrial upsurge can be attributed to the infrastructural asset creation and import substitution policy where requisite infrastructural facilities were provided to the private sector thus providing additional opportunity to the private capital for utilizing the capital for production purpose. On the other hand import substitution policy created a protected and guaranteed market. "In the years following independence, infrastructural development and import substitution in the consumer goods sector stimulated industrial production" (Nayyar, 1978 p-1276), Besides agricultural production facilitated the growth in terms of supplying raw materials and creating demands of consumer goods. In a nutshell Nayyar believes public investment and protected market are the important factors for industrial production and growth.

Industrial production dropped from 7.8% to 3.6% per annum from earlier decades. Successive monsoon failures during mid-sixties plunged agricultural production to 17%. Average growth rate in food production slowed down from earlier decade. It was during 1955-65 nearly 5% whereas during 1965-75 came down to 3.4%. Consequently supplying or raw materials to industrial sector became constricted and demand of manufactured goods reduced.

Table-5: Average Growth Rate: Percent per Annum: Comparison

Industry group	1955-1965	1965-1975
Food products	4.9	3.4
Beverages and tobacco	9.1	3.1
Textiles	2.0	-0.5
Chemicals and chemical products	9.8	7.2
Non-metallic mineral products	10.8	5.0
Basic metals	13.0	3.0
Metal products	14.3	4.2
Machinery : non-electrical	24.6	6.9
Electrical machinery and appliances	15.6	8.0
Transport equipment	7.6	-3.2
All manufacturing	7.6	3.1
Mining and Quarrying	5.9	3.7
Electricity	14.0	9.2
Total Industrial Production	7.8	3.6

(Source: CSO, *Statistical Abstract, India, 1974, pp127-131*).

**Table-6: Deceleration of Growth in the Industrial Sector, 1960-1975
(Average Annual Percentage increase in production)**

Industry group	1960-'65	1965-'70	1970-'75
Basic industries	10.4	6.2	5.2
Capital goods industries	19.5	-1.7	5.1
Intermediate goods industries	7.0	2.5	2.6
Consumer goods industries :	5.0	3.9	1.6
i) Durable goods	10.7	8.4	2.4
ii) Non-durable goods	3.8	2.7	1.5
Total	9.0	3.3	3.6

Source: RBI, *"Report on Currency and Finance", 1974-75, Volume II, p-26 and 1975-76, Volume II, p-28*

Indo-China and Indo-Pak war during this decade led government to massive increase in defense expenditure thus hampering productive investment. The proximate causes of this occurrence might appear to lie in the war which diverted investment to unproductive resources (Nayyar, 1978). The oil crisis in 1973 aggravated the situation. Balance of payment system became more critical.

West Bengal growth and development in mid-sixties showed downward trends. Engineering industry was the prime mover of Bengal industrial economy. Engineering industry in West Bengal dominated national industrial production. The total number of registered engineering factories was about 30% during 1950-'51 but in mid-sixties (1965-'66) that position came down to 23.4% and in 1975-'76 only 2.7% registered engineering industries operated in Bengal. (Kalipada Basu, 1989).

The depressing picture of industrial development in West Bengal during this period was caused by various factors like freight equalization policy, wars with China and Pakistan, alleged discriminatory attitude of the central government towards the state, alleged militant trade unionism. **Freight equalization** policy came into effect with a view to equalizing the freight rate of transportation of minerals to different parts of India. This was adopted by the central government in early 1950s to facilitate the equal growth of industry all over the country. Factory could be set up anywhere in India with an assurance to keep the transportation cost of minerals would be equal. West Bengal lost the locational advantage of minerals resources. It spoiled the economic prospects of the mineral-rich states like West Bengal, Bihar, Orissa, Madhya Pradesh, and Jharkhand as it disrupted the incentives for

setting up of manufacturing industries near the mines. As a result of the policy, business houses preferred industrial locations of their choice especially keeping the trade hubs, markets and infrastructural facilities in mind. Earlier West Bengal prospered in industrial sector especially in engineering industries because of its locational advantages of coal and iron.

War apart from other losses puts enormous pressure on country's economy. Production, investment, transportation, and distribution get hampered thus creating economic stagnation, inflation, loss of employment and contraction of market. Ultimate result is a sluggishness of economic growth. When India in 1960s started to taking off her economic development to a new high became engaged in war with China and Pakistan and lost her rhythm. "In 1962-63 (the year of the war with China), the economy grew by only 2 per cent; in 1965-66 (war with Pakistan) growth was a negative 3.7 per cent and in 1971-72 (the Bangladesh war) it was as little as 0.9 per cent. All three years witnessed a deceleration and it took a couple of years before the economy recovered." (Reddy, 2002)ⁱⁱⁱ

Central government's discriminatory attitude created hindrance before the industrial development in Bengal. "It is alleged by many that the Central Government is discriminating against West Bengal in respect of issuing of industrial license, sanctioning of credit, public investment, expansion of existing units, and development of infrastructural facilities etc."^{iv} Central government has the sole authority to issue licenses for setting up new industries or expansion of existing units. Delhi government issued more licenses to those states which fared well in industrial sector where as West Bengal had been neglected.

Table-7: State wise Distribution of Industrial Licenses

States	1975-'76	1976-'77	1977-'78
Maharashtra	243	148	127
Tamil Nadu	142	54	23
Gujrat	103	85	46
West Bengal	71	56	29

Source: Quarterly Bulletin of Statistics, Ministry of Industry, Government of India

In terms of credit and financial assistance discriminatory approach was adopted, it is alleged. Indian Chamber of Commerce, Bengal National Chamber of Commerce and Industry, Indian Engineering Industries Association held that due to the discriminatory policy of central government, Bengal industrial prospects got nosedived. Credit policy of commercial banks during 1969 - 1977 showed partial approach towards West Bengal. West Bengal was sanctioned Rs. 1,748 crores where as Maharashtra got Rs. 3,359 crores. Maharashtra got 22% share of total credit and West Bengal only 11.4%. Till December, 1984 commercial banks sanctioned Rs. 4332 crores to West Bengal, but Maharashtra received Rs. 12, 224 crores. Not only that in terms raw materials and minerals for industrial production West Bengal got less share than the other states. Out of total requirement of copper West Bengal got 10%, Maharashtra 28% and Gujrat 70%. In 1978-'79 out of the allocated steels West Bengal got 63% whereas the Punjab got more that the allocated steel (allocated 38000 metric tons but got 44000 metric tons) (Kalipada Basu, 1989).

In 1960s trade Unions under the aegis of left parties became more active about their rights and dues. "In West Bengal from the 60s the trade Unions led by left parties began to dominate over others".^v Strike, *gherao*, cease work became order of the day. Huge man days lost and production got hampered. Industrialists and business houses preferred not to invest further and to set new units in other states. "After 1967 businessmen were particularly perturbed by the militant working class and people's struggles, which often turned violent and defied law and order and led to *gheraos* and the destruction of property."^{vi} The net effect of all these factors on industrial development of West Bengal was quite

dismal and frustrating. Bengal derailed from mainstream development track. She lost her glory and started revolving round economic crisis.

Conclusion

West Bengal was regarded as the industrial warehouse of India during British period. The erstwhile capital of India enjoyed privileges of being the industrially developed province. Kolkata became the mini India where people from different province were attracted for future prospect and settled; partition of India played a havoc on the health of Bengal economy; raw material supplying region went to Eastern part where the jute mills remained in the west. Added to the woes was the huge influx of refugees from the Eastern part of Bengal. The freight equalization policy of the central government brought down privileged position of West Bengal. The failure of command economy, war with the neighbouring countries, successive drought made a heavy blow on the industrial production. The cumulative impact of all these factors is the deceleration of industries in West Bengal.

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