T. J. Education Society's

SHETH NKTT COLLEGE OF COMMERCE AND SHETH JTT COLLEGE OF ARTS, THANE

DEPT OF ECONOMICS

TYBA-STUDY MATERIAL ON INDUSTRIAL AND LABOUR ECO. (ECO-IV)-SEM-V (2020-21)

Note: Following are brief guideline notes, prepared from the references given at the end. The students have to refer to references given for the preparation of the examination

UNIT-I Introduction

1. **Meaning and Scope of Industrial Economics**
   Industrial economics deals with the organizations or institutions of production.
   Andrews defines it as, "industrial economics will be interested in what actually happens as distinct from what should happen in hypothetical or ideal circumstances". It is a specialized branch of economics broadly deals with such economic forces which operate within the industrial sector. It broadly describes matters, such as, Market structure, Pricing and material organization.
   Three main concepts of industrial economics
   a. Market Structure- it is influenced by variables such as, technology, business expertise, input prices, demand and supply conditions
   b. Market Conduct – it is influenced by factors like, price policy, product policy, financial policy, research and development policy, advertisement etc.
   c. Market performance – the performance of market is influenced by the factors like, profitability, stability, growth rate, technological advancement etc.
2. **Industrial Profile of Private sector w r t Role, Performance and problems**
   Industrial organization has many forms, formal, informal, sole trading, partnership, joint stock companies etc.
   a. **Role of Public sector**
      i. **Public sector and capital formation** - the contribution of Indian public sector was as high as 60% till third five-year plan, it fell thereafter. Public sector plays important role in banking sector, which reflects in nationalized banks, SBI, IDBI, IFCI, SFC, LIC, UTI etc.
      ii. **Development of Infrastructure** – such as irrigation, power supply, roadways, railways, communication facilities, basic and key industries such as, cement, iron & steel, oil & Petroleum have been under public sector. All this has contributed to the economic growth of India.
      iii. **Strong industrial base** – this consists of construction, electricity, gas and water supply has been the strong base of industries in India. Industries like, iron & steel, heavy engineering, coal, heavy electrical machinery, petroleum and natural gas, chemicals and pharmaceuticals.

iv. **Economies of scale** – for the development of basic and key industries, huge capital investment is necessary. Private sector cannot undertake such huge investment, so public sector shoulders the responsibility. Similarly a large-scale firm enjoys the cost advantages or economies of scale. Thus the public sector enjoys the economies of scale for its large size and huge investment. Eventually it also controls the concentration of industries in few hands, i. e. it controls the monopoly power.

v. **Removal of regional disparities** – the government of India tries to set up big industries in backward or underdeveloped regions, so that the employment improves in the region, income rises leading to increase in saving and investment of the region.

vi. **Import substitution and export promotion** – the problem of foreign exchange is a major constraint in the development of India. To sort out this issue the government undertakes the promotion of export industries and gives concessions and other benefits to the import substitute industries. For example, BHEL, Hindustan Antibiotics Ltd. STC etc.

vii. **Check over the concentration of economic power** – public sector helps in reducing the concentration of economic power by the use of profits for the welfare of the people of country, supply of necessary consumer goods at subsidized rates through PDS, better wages to lower staff and adoption of welfare schemes for the poor.

b. Performance of Public sector

One should not judge the performance of the public sector regarding the profits earned but by the total addition it makes to the production of goods and services. Since independence of India, there has been rapid increase in the public sector enterprises. The number of PSUs rose from 5 in 1951 to 244 in 2015-16. The amount of investment was rs. 29 crore which rose to 19,38,795 crore in 2015-16. Similarly there has been sharp increase in the employment, efficiency, CSR of the public sector.

c. Problems of Public sector:

i. Low returns on the investment due to typical nature of the Price policy

ii. Underutilization of capacity due to lack of foresightedness, poor management and inefficient operation.

iii. Problems relating to Planning and Construction of Projects

iv. Problems of Labour, Personnel and Management