



Ensuring Balanced Industrial Distribution in India

For Prelims: India's Industrial Sector, [Information technology](#), [Service sector](#), [Production-Linked Incentive](#), [PM Gati Shakti- National Master Plan](#), [Start-up India](#), [Make in India 2.0](#), [Special Economic Zones](#)

For Mains: Challenges Associated with the Industrial Sector in India, Recent Government Initiatives for Growth of the Industrial Sector

[Source: TH](#)

Why in News?

The **Standing Committee on Finance (SCoF)** has urged the **Government** to develop an **action plan** to **evenly distribute industries** across all **States** to ensure **balanced** and **equitable economic development**.

- The Committee observed that while **industry is a State subject**, the Central Government's role remains vital in shaping [national industrial policy](#).

Key Observations & Recommendations of SCoF

- **Key Observations:**
 - **Stalled Disinvestment & PSE Policy:** Despite the Dec 2021 policy to privatise/close loss-making CPSEs in non-strategic sectors for fiscal prudence, no proposals have been approved; disinvestment plans remain stagnant.
 - **Low Investment Rate vs Growth Needs:** India's investment rate is **around 31% of GDP** over the next decade.
 - **Weak State Incentives:** While industry is a State subject, central initiatives are crucial, however, **incentives for States to reform their PSUs have been underutilised** and largely ineffective.
 - **Fiscal Stress of States:** **High indebtedness** of many States constrains their ability to **invest in infrastructure, industrial development, and balanced growth**.
- **Key Recommendations:**
 - **Structural & Industrial Reforms:** Fast-track **disinvestment/closure of non-strategic, loss-making CPSEs**, strengthen **central incentive packages** for **State PSU reforms**.
 - Also prepare a **national action plan** to ensure **balanced industrial growth**, reducing **regional disparities** and promoting **equitable development**.
 - **Fiscal & Investment Strategy:** Mobilise **public & private investment** to raise the **investment rate to 35% of GDP** (for sustaining **8% GDP growth**) while introducing **tailored fiscal reforms for highly indebted States** that balance **debt reduction** with continued **infrastructure & social sector investment**.

What are the Key Factors Responsible for Uneven Industrial Growth?

- **Historical Factors: Uneven industrial growth** in India traces back to the **British colonial era**, which concentrated industries in **select regions** for **strategic trade and port access**.
 - **Eg: Jute** was centred in **Bengal (Kolkata)** and **cotton textiles** in **Maharashtra (Mumbai)**. Post-independence, this **regional industrial imbalance** persisted, leaving many areas **underdeveloped**.
- **Geographical & Infrastructure Factors:** Industrial growth is influenced by **geography** and **infrastructure**. **Difficult terrains** like the **Himalayan states** and **North-East** face **poor connectivity**, **power shortages**, and **high setup costs**, limiting large-scale industries.
 - In contrast, **coastal and plain regions** like **Tamil Nadu, Gujarat, and Maharashtra** benefit from **better infrastructure** such as **major ports** (Mumbai, Kandla), **highways**, and **industrial corridors**, creating **favourable conditions** for industrial expansion and supporting their **industrial leadership**.
- **Skilled Manpower Availability:** Industrial clusters like **Bengaluru (IT sector)** and **Chennai (automobiles)** attract skilled workers supported by **universities** and **technical institutes**.
 - States like **Jharkhand** and **Chhattisgarh**, with limited **educational infrastructure** and **vocational training**, struggle to grow **skill-intensive industries**.
- **Policy & Planning Disparities:** Industrial growth is influenced by **targeted policy support**. The **Green Revolution** benefited **Punjab, Haryana, and western UP**, fostering **agro-industrial expansion**, while **eastern and central regions lagged**.
 - States with **proactive industrial policies**, like **Tamil Nadu**, attract industries, unlike those with **less supportive frameworks**.
- **Agglomeration Effects:** Industries tend to **cluster** to leverage **scale economies**, **skilled suppliers**, and **logistics advantages**, reinforcing **regional disparities**.
 - **Eg: Tamil Nadu's automobile and electronics industries** and **Gujarat's textile clusters**. **Peripheral states** like **Odisha** and **Assam**, lacking these advantages, struggle to develop **industrial hubs** and attract investment.

What are the Key Implications of Industrial Imbalance in India?

- **Regional Inequality & Developmental Gaps:** States with higher industrial concentration, like **Maharashtra, Gujarat, and Tamil Nadu** generally have **higher income, employment, infrastructure, and GDP** (Maharashtra (Rs 45.3 lakh cr, 2024-25), UP (Rs 25.5 lakh cr, 2023-24), and Tamil Nadu (Rs 17.3 lakh cr, 2024-25))
 - In contrast, states like **Bihar (GDP 8.5 lakh cr, 2023-24)**, **Jharkhand (Rs 2.9 lakh cr, 2023-24)**, and **most North-Eastern regions** having **fewer industries** and **lower industrial output**, result in **uneven economic development** and **wider gaps in living standards**.
- **Migration & Urban Stress:** Industrial hubs attract workers from **underdeveloped regions** for **jobs, higher wages, and better amenities**, causing **inter-state migration**.
 - Cities like **Mumbai, Bengaluru, and Delhi** face **overcrowding, housing shortages, traffic congestion, pollution, and slum expansion**, leading to **social and environmental pressures**.
 - As per **EAC-PM (2023)**, India had **40.2 crore domestic migrants**, with major **migration hubs** including Mumbai, Bengaluru Urban, Howrah, Central Delhi, and Hyderabad.
- **Fiscal Disparities & Resource Imbalances:** States with **concentrated industries** earn higher **tax revenues, royalties, and investment inflows**, boosting their ability to fund **infrastructure, healthcare, and education**.
 - **Less-industrial states** mostly depend on **central transfers**, face **budget deficits**, and have limited **public investment**, widening **inter-state developmental gaps**.
 - **Eg: Top 5 industrial states- Maharashtra, Karnataka, Delhi, Tamil Nadu, Gujarat** contributed **72% of direct taxes** in FY24, while **UP, Bihar, MP** contributed just **5%**, revealing **severe fiscal imbalances**.
- **Federal Friction & Policy Challenges:** Uneven industrial growth can cause **tensions between the Centre and States** over **resources, investment policies, and financial incentives**.

- Advanced states may seek **greater autonomy**, while lagging states demand **special packages**, challenging **cooperative federalism** and **coordinated economic governance**.
- **Socio-Political & Economic Implications:** Persistent industrial imbalance can cause **regional discontent, political marginalisation, and social unrest**.
 - It also shapes **investment patterns**, as businesses prefer areas with **better infrastructure, skilled labour, and industrial ecosystems**, creating a **cycle of underdevelopment** in lagging regions.

What are the Key Government Initiatives for Boosting Industrial Growth in India?

- **Production-Linked Incentive (PLI):** To scale up **domestic manufacturing capability**.
- **PM Gati Shakti- National Master Plan:** **Multimodal connectivity** infrastructure project.
- **Bharatmala and Sagarmala Project:** To Improve **connectivity (road & sea)**
- **Start-up India:** To catalyse Startup culture in India
- **Make in India 2.0:** To transform India into a **global design and manufacturing hub**.
- **Atmanirbhar Bharat Campaign:** To **cut down import dependence**
- **Special Economic Zones:** To create **additional economic activity** and boost the export of goods and services.
- **MSME Innovative Scheme:** To promote the **complete value chain from developing ideas into innovation** through incubation and design interventions

What Measures Should be Taken for Ensure Balanced Industrial Growth in India?

- **Industrial Location Policy & Incentives:** Formulate a **comprehensive industrial location policy** to guide investments toward **underdeveloped and lagging regions**, including **priority zones and strategic sector allocation**.
 - Offer **tax breaks, capital subsidies, concessional loans, reduced GST, and investment-linked deductions** to make **less-industrial states** competitive with industrially advanced hubs like **Maharashtra, Gujarat, and Tamil Nadu**.
- **Targeted Infrastructure Development:** Invest in **transport corridors, industrial parks, logistics hubs, reliable power, and digital infrastructure** in industrially-backward states.
 - Initiatives such as **Industrial Corridors, Special Economic Zones (SEZs), and Dedicated Freight Corridors** can reduce industrial setup costs and attract industries to **remote regions**, including the **North-East and Eastern India**.
- **Skill Development & Human Capital:** Set up **technical institutes, vocational centres, and reskilling programs** in **less-developed regions**.
 - Schemes like **Skill India** and **PM Kaushal Vikas Yojana** can provide a **ready workforce** for industrial clusters, supporting **skill-aligned growth**.
- **Cluster-Based & Ecosystem Development:** Promote **sector-specific industrial clusters** for **economies of scale, supply chain integration, and innovation**.
 - Eg: **Textile clusters in Bihar, electronics in the North-East, and agro-industrial hubs in Eastern India**, boosting **local entrepreneurship, employment, and sustainable development**.
- **Policy Coordination & Centre-State Collaboration:** Strengthen **cooperative federalism** by aligning **central policies** with **state industrial plans**, ensuring **resources, regulatory support, and investments**.
 - Provide **incentive packages and reforms** as per state capacities to promote **equitable industrialisation**.

Conclusion

India's **uneven industrial growth** arises from **historical, geographical, infrastructural, and policy factors**. Ensuring **balanced industrialisation** needs **Centre-State coordination**, with focus on **infrastructure, skill development, fiscal incentives, and cluster-based growth**, reducing **regional disparities** and boosting **competitiveness**.

Drishti Mains Question:

Industrial imbalance in India has perpetuated regional inequality and fiscal disparities, hindering inclusive growth. Discuss its key implications and suggest policy measures for achieving balanced and equitable industrialisation.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. In the 'Index of Eight Core Industries', which one of the following is given the highest weight? (2015)

- (a) Coal production
- (b) Electricity generation
- (c) Fertilizer production
- (d) Steel production

Ans: (b)

Mains

Q.1 "Industrial growth rate has lagged behind in the overall growth of Gross-Domestic-Product(GDP) in the post-reform period" Give reasons. How far are the recent changes in Industrial Policy capable of increasing the industrial growth rate? (2017)

Q.2 Normally countries shift from agriculture to industry and then later to services, but India shifted directly from agriculture to services. What are the reasons for the huge growth of services vis-a-vis the industry in the country? Can India become a developed country without a strong industrial base? (2014)