



Growth of Production and Employment in Manufacturing Sector of Gujarat

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ABSTRACT

This paper aims to study the growth of manufacturing sector of Gujarat on the basis of production and employment as key indicators of growth from the year 1985 to 2012. For the purpose of the study available data was collected from Economics & statistics bureau of Gujarat for the period of 1985-2012 and annual and compound growth rate were found to analyse the growth of manufacturing sector of Gujarat. It was found that there is a positive growth of both production and employment but employment showed a lower growth rate than production so it can be concluded that manufacturing sector grew during this period but failed to generate enough employment in Gujarat. Government of Gujarat should take necessary steps so that manufacturing can provide more employment to the people of Gujarat.

KEYWORDS

manufacturing sector, Production, employment, Growth

Introduction

In ancient times, manufacturing was usually carried out by a single skilled artisan with assistants. Most manufacturing occurred as household based manufacturing served as a supplement to agriculture but with the passage of time manufacturing industries took the place of single skilled manufacturing with occurrence of technological and socio economic transformation in western countries in 18-19th centuries. This transformation is known as industrial revolution. It started in Britain and it replaced household manufacturing with commercial manufacturing. After industrial revolution there was a huge increase in output by the manufacturing industries and it started contributing a considerable share in country's economy and GDP (Gross Domestic Product). Effect of industrial revolution was spreaded worldwide including India. Since industrial revolution manufacturing sector has been proven as the key factor leading economy of the country towards growth. According to World Bank today worldwide manufacturing activities account for 22% of the world economy. After industrial revolution manufacturing sector divided world's economies into developed, developing and underdeveloped economies. Among developing countries Indian economy has emerged as one of the largest economy of the world. Manufacturing sector of India contributes 16% in GDP, 50% in exports and provides employment to 14% workforce of India. It is important to note that manufacturing sector of Gujarat has a major contribution of 6.4% in GDP and 21% in exports of India. The Planning Commission has projected Gujarat as one of the fastest growing states of India in the tenth plan. Though Gujarat has adopted industrial friendly policies since its inception in 1960, economic reforms of 1991 gave a big thrust to the growth of manufacturing sector of Gujarat. In current period manufacturing sector of Gujarat accounts for more than 13% of the output at national level. At present contribution of manufacturing sector in GSDP (Gujarat state domestic product) is around 27.6% per annum. In the post reform period Gujarat has witnessed a high growth specially in sectors such as chemicals & petrochemicals, engineering, textiles, agro & food processing etc. Almost 50% of the country's refined petroleum products and 45% of the drugs & pharmaceuticals are from Gujarat. Government of Gujarat has announced many incentives and industrial policies to encourage and support manufacturing sector of the state especially in last 10 to 12 years.

This paper considers production and employment as the key indicators of growth of manufacturing sector and studies the overall growth of manufacturing sector of Gujarat of 27 years since 1985.

Literature Review

Malhotra (2008) analysed economic performance and industrial growth pattern of Gujarat during the period of 1980-2005. He found that Gujarat managed to improve its position in terms of Net value addition, Number of factories, Number of workers employed after implementation of liberalisation policy. He suggested to identify such industries which contribute in economic progress by generating more employment and investment. Arya and Mehta (2011) analysed macro-economic growth pattern and problem of instability in economic growth of Gujarat since its inception 1960 to 2008-09. They observed that up to 1984-85, primary sector (Agriculture) of the state contributed the highest share in state domestic product. But since then primary sector's share started shrinking and on the other hand secondary sector (Manufacturing) has shown growth over time. Morris (2012) studied economic growth in Gujarat in relation to the nation and other states for two time phases-1992-93 to 2002-03 and from 2003-04 to 2012. He found that Maharashtra and Gujarat showed strong positive high growth performance in this period but in Gujarat state growth achieved in manufacturing sector may have been less than what was possible.

Objective

The objective of this paper is to study the growth of manufacturing sector of Gujarat on the basis of production and employment since 1985 to 2012.

Research Methodology

In the present study data of production and employment in manufacturing sector of Gujarat have been collected from available published reports of Government of Gujarat for the period of 1985-86 to 2011-12 from Economics and Statistics Bureau of Gujarat located at Gandhinagar to study the growth of manufacturing sector of Gujarat. Annual growth rate, Compound growth rate and other statistical tools have been applied for the purpose of the study.

Analysis of Growth of Manufacturing Sector of Gujarat Table 1: Annual growth rate of production of manufacturing sector of Gujarat

Year	Production In Lacs	Growth per annum %	Year	Production In Lacs	Growth per annum %
1985-86	1245354	-	1999-00	11607400	3.25

Year	Production In Lacs	Growth per annum %	Year	Production In Lacs	Growth per annum %
1986-87	1392000	11.78	2000-01	12653300	9.01
1987-88	1486366	6.78	2001-02	14672414	15.96
1988-89	1859843	25.13	2002-03	18053046	23.04
1989-90	2231341	19.97	2003-04	20730776	14.83
1990-91	2530046	13.39	2004-05	25719028	24.06
1991-92	2860901	13.08	2005-06	30192860	17.40
1992-93	3762822	31.53	2006-07	36620700	21.29
1993-94	4218830	12.12	2007-08	43990550	20.12
1994-95	5074800	20.29	2008-09	50093764	13.87
1995-96	7036796	38.66	2009-10	63234086	26.23
1996-97	7996584	13.64	2010-11	78209568	23.68
1997-98	9821871	22.83	2011-12	97592784	24.78
1998-99	11242300	14.46			

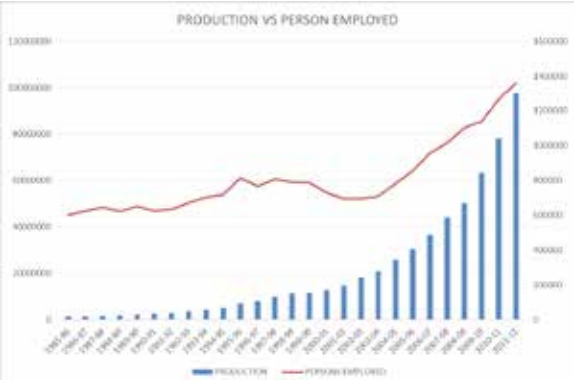
From the above table, we can see that annual growth rate of production is not constant in upward direction during the study period. Particularly in the years 1987-88, 1999-00 and 2000-01 the annual growth rate is only in single digit. Especially in the year 1999-00 growth rate is only at 3.25%. whereas in the years 1992-93 & 1995-96 growth rates are very high at 31.53% and 38.66% respectively. Thus annual growth rates of production show a high variation during the study period.

Table 2: Annual growth rate of employment in manufacturing sector of Gujarat

Year	Employment In No.	Growth per annum %	Year	Employment In No.	Growth per annum %
1985-86	602717	-	1999-00	788575	-0.31
1986-87	623786	3.50	2000-01	730138	-7.41
1987-88	644070	3.25	2001-02	694949	-4.82
1988-89	622844	-3.30	2002-03	694528	-0.06
1989-90	650115	4.38	2003-04	708421	2.00
1990-91	624168	-3.99	2004-05	781919	10.37
1991-92	633565	1.51	2005-06	853272	9.13
1992-93	671766	6.03	2006-07	954569	11.87
1993-94	703574	4.73	2007-08	1017168	6.56
1994-95	717610	1.99	2008-09	1102838	8.42
1995-96	814860	13.55	2009-10	1138752	3.26
1996-97	767003	-5.87	2010-11	1270827	11.60
1997-98	808440	5.40	2011-12	1360839	7.08
1998-99	791007	-2.16			

From the table we can see that annual growth rates of employment do not show positive growth every year during the study period. From the year 1998-99 to 2002-03 there is a consecutive negative figures indicating that manufacturing sector of Gujarat was not able to provide more employment during this 5 years. From 2003-04onwards there are positive growth rates of employment indicating better situation than previous years. Apart from this annual growth rate of employment shows a high fluctuations during the study period.

Figure 1: Growth of production and employment of manufacturing sector of Gujarat



From the above figure we can conclude that both the production and employment show upward growth during the study period. Compound growth rate has been found for both the production and employment which is 18.26 % and 3.18 % respectively. Thus growth of employment is much lower than production at 3.18 % which indicates that manufacturing sector of Gujarat could not generate enough employment for Gujarat during the study period. Moreover growth of production is constant in upward direction whereas growth of employment is fluctuating during the study period. It can be seen that after the year 2002-03, upward growth of employment could be achieved. One conclusion can be derived from the above figure that both production and employment show upward growth only after the year 2002-03.

Conclusion and Suggestion

From the above study it can be concluded that during the study period production and employment showed a positive growth at 18.26% and 3.18% particularly after the year 2002-03. Production indicates a constant higher growth in comparison to employment which indicates that manufacturing sector of Gujarat grew during this period but failed to generate enough employment to the people of Gujarat. Thus Government of Gujarat should declare such incentives and policies so that manufacturing sector can grow faster and absorb more people to generate employment.

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