

## Introduction

Historically, JSEs came into existence for differing reasons. One, some enterprises were established to implement specific projects which were important from the point of view regional development, employment, etc. but the nature of activity was such that without public systems' support individual private entrepreneurs were not ready to take total responsibility. Two, another set of enterprises came under the joint sector due to transformation of enterprises promoted by private entrepreneurs into JSEs through equity participation by the public financial institutions; and three, some public sector enterprises became JSEs because of dis-investment of a part of the Government share-holdings.

As mentioned earlier, there is no agency to monitor the joint sector in the country. In response to a question in the Parliament asking for details of joint sector enterprises, even in 1986, the Government could only reply in terms of number of letters of intent issued to SIDCs.<sup>1</sup> Had there been a follow up system it would have been possible to know: how many of these approvals were implemented as JSEs; how many were revoked or cancelled; who were the private promoters, which of the JSEs implemented the licences and how many of them remain with state-level public enterprises as subsidiaries of SIDCs; etc.

To some extent the existing ambiguity regarding the constituents of the sector is due to two reasons: one, the differing ways in which joint sector companies came into being; and two, SIDCs incorporated certain enterprises in the public sector with a view to ultimately develop these in the joint sector. Some of these have remained wholly owned subsidiaries of the state level corporations because either private sector partners could not be identified or the resources could not be mobilised to implement the licences. It is relevant to keep in mind that the constituents of the sector need not remain unchanged. A joint sector company may exit the sector if the shareholding of public sector agency decreases below the threshold of 26 per cent either due to divestment or renunciation of the rights entitlements. A JSE may also get amalgamated with another company or be liquidated. To know the true character of the JSEs we wrote to all state nodal agencies such as SIDCs, SIICs, SEDCs, State Directorates of Industries, etc. for information on the units promoted under the joint sector scheme. Based on their responses, Annual Reports of the SIDCs, press reports, Bombay Stock Exchange Official Directory and prospectuses of companies offering shares to the public, we could identify 650 joint sector companies, the reference point being end 1991.

As explained in the previous chapter, in a joint sector enterprise, as per the official guidelines, Government or SIDCs or PSEs hold 26 per cent equity or more, the private promoter 25 per cent and the balance 49 per cent is held by the general public. When the share of SIDCs in equity capital ranges between 10-15 per cent, the projects are

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1. See: Reply to the Lok Sabha Unstarred Question No. 2624, answered on August 5, 1986.

categorised under the "assisted sector".<sup>2</sup> Public participation, however, is only possible when the JSE offers shares to the public at large.

The concept of joint sector has undergone substantial changes during the last two decades. After the Government announced its policy on joint sector in 1973, some of the state governments and their promotional agencies like SIDCs, SIICs, engaged themselves actively in promoting industrial units in the joint sector. Some states have further extended the concept to the small scale sector.<sup>3</sup>

Out of the total 650 JSEs identified by us as many as 534 were promoted by the SIDCs in association with private promoters (see Table - 1). In thirteen JSEs state or state level public enterprises owned majority equity (i.e. 51 per cent) and the balance was held by general public. In addition to SIDCs, many state-level developmental corporations such as Electronics Development Corporations, Small Industries Development Corporations, Agro Industries Corporations etc., have participated in promoting industrialization in their respective states. Nearly 14.15 per cent of the identified cases belong to this category. There are 11 cases where state governments directly participated in establishing joint ventures. It is evident that JSEs promoted by SIDCs, and other state level promotional agencies (categories 1 & 3) accounted for more than 96 per cent of the total number of JSEs. This clearly establishes that it was the state governments which were actively involved in JSE promotion with a very small role played by the Central Government and Central PSEs. It is interesting to note that all JSEs and those offered their shares to the public are similarly distributed in terms of the type of public sector promoter.

## **2 Place of JSEs in the Indian Industrial Sector**

One indicator for understanding the place and role of joint sector in industrialisation is the share of JSEs in the industrial sector at different levels. This task is sought to be carried in the following with the help of three sets of data namely, (i) data on assistance sanctioned by the All-India Financial Institutions (AIFIs) and State Industrial Development Corporations (SIDCs); (ii)

data culled out from the Annual Survey of Industries (ASI); and (iii) data relating to non-Government companies with Rs. 50 lakhs or more of paid-up capital.

Setting up of financial institutions in India was considered essential since the Indian capital market was not adequately developed for mobilization of resources. Over the years public sector units (both central and state) also began to depend on the financial institutions

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2. The concept of assisted sector emerged for the first time in the industrial policy guidelines of 1979. It was envisaged that the low degree of participation by SIDCs in the risk capital of the companies would enable them to catalyse more and more investment in the industrial sector.

3. In Andhra Pradesh, the state small scale industrial development corporation has taken equally active role with its counter part APIDC in promotion of joint ventures with local and technocrat entrepreneurs. These cover a wide range of sophisticated industries such as electronics instruments, silicon heads, etc., In Punjab, the Punjab State Agro Industries Corporation (PAIC) has been taking active role in development of agro-processing industries in the state. Notable among the companies promoted by PAIC are: Pepsi Foods Pvt Ltd., a three-way joint venture with Voltas Ltd. (Tata) and Pepsico Inc., USA; and Agro Foods Punjab Ltd (with Voltas).

**Table - 1**  
**Distribution of JSEs**  
**According to Public Sector Promoter Categories**

SNo.	Category	JSEs		JSEs which offered shares to the public	
		No.	% to Total	No.	% to Total
(1)		(2)	(3)	(4)	(5)
1	SIDCs & Private Promoters	534	82.15	248	82.39
2	Government/PSEs & General Public	13	2.00	9	2.99
3	PSEs and Private Promoters	92	14.15	39	12.96
4	State Government & Private Promoters	11	1.70	5	1.66
Total		650	100.00	301	100.00

- Note: (1) The companies covered in category-1 are those which have been directly promoted by the State Industrial Development Corporations (SIDCs) in partnership with the private promoters. It also includes JSEs where public promoters have already divested their stake.
- (2) Companies in category-2 are those in which majority equity i.e., 51 per cent or more is held by the State Government or a public sector undertaking (Central or State) and the balance 49 per cent by the general public.
- (3) In addition to SIDCs, a number of special state level developmental corporations promote specific industries. (e.g. State Electronics Development Corporations and State Agro Industries Development Corporations). JSEs promoted by Central Government-owned companies with private entrepreneurs also are included in this category.
- (4) This category of JSEs are promoted by State Governments directly in association with private promoters.

Source: Database on Joint Sector, Institute for Studies in Industrial Development (ISID), New Delhi

in addition to the governmental source of funding and consequences of this tendency did not fail to reflect in the data presented in Table 2. It can be seen that the importance of joint sector varied from period to period and also between the two categories of institutions. Even though the AIFIs hold a very important position, in terms of overall financial assistance for the sector, the share of joint sector worked out to be only a little less than 5 per cent as compared with the more than 10 per cent share it had in SIDCs' assistance. The share of joint sector in the assistance sanctioned by AIFIs displayed considerable variation compared to its share in SIDCs' assistance. More importantly, towards the end of the period there was a general decline in the share of joint sector.

Table - 2

**Share of Joint Sector in the Assistance Sanctioned by  
All-India Financial Institutions and State Industrial  
Development Corporations (1969-70 to 1993-94)**

(Amount in Rs. crores)

Period	AIFIs		SIDCs		Share of Joint Sector in Total	
	Joint Sector	Total	Joint Sector	Total	AIFIs (2) as % of (3)	SIDCs (4) as % of (5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1969-70 to 1973-74	126	1174	n.a	n.a	10.74	n.a
1974-75 to 1979-80	595	6686	136	627	8.90	21.69
1980-81 to 1984-85	1277	17617	158	1655	7.25	9.55
1985-86 to 1989-90	3641	47828	346	3141	7.61	11.02
1990-91 to 1993-94	3859	108792	318	3742	3.55	8.50
Cumulative Up to March 1994	8872	184125	830	8111	4.82	10.23

Note: Figures for SIDCs shown against 1974-75--1979-80 are cumulative figures up to 1979-80.  
n.a = Not Available.  
Period-wise totals and the respective cumulative figures do not match with each other due to continuous revisions.  
AIFIs= The expression All-India Financial Institutions refers to: IDBI, IFCI, ICICI, SIDBI, SCICI; specialised institutions viz. RCTC, TDICI, TFICI; and investment institutions viz. LIC, UTI, and GIC.  
SIDCs= State Industrial Development Corporations.

Source: Based on the data provided in Industrial Development Bank of India, Operational Statistics for the years 1976-77, 1977-78 & 1980-81 and Industrial Development Bank of India, Report on Development Banking in India for the years 1986-87, 1989-90 & 1993-94.

Table - 3 shows the share of the joint sector in the fixed capital, employment and net value added of the ASI factory sector in the country. The joint sector claimed a higher share in fixed capital compared to its share in the employment provided. Further, even though its share in value added fluctuated considerably, it was generally higher than the share of the sector in fixed capital and employment. At the first glance it appears that the joint sector is more capital intensive. The sector's share in the fixed capital increased after mid-'eighties but it declined during the 'nineties. It may also be relevant to note that only factories owned by (i) Central Government; (ii) State/ Local Government; and (iii) Central,

**Table - 3**  
**Share of JSEs in the Net Fixed Capital, Number Employees**  
**and Net Value Added relating to Factory Sector of the**  
**Annual Survey of Industries (1973-74 to 1990-91)**

(Percentages)

Year	Net Fixed Capital	Number of Employees	Net Value Added
(1)	(2)	(3)	(4)
1973-74	5.57	3.49	3.87
1974-75	6.08	5.20	6.45
1975-76	5.65	5.19	5.39
1976-77	6.72	5.76	5.91
1977-78	6.03	5.64	14.84
1978-79	5.52	5.13	5.94
1979-80	5.38	5.82	5.29
1980-81	6.33	6.45	6.11
1981-82	7.23	6.45	6.95
1982-83	7.31	6.10	8.17
1983-84	8.35	5.74	8.82
1984-85	8.22	6.08	10.15
1985-86	10.17	6.98	9.77
1986-87	10.00	7.13	10.17
1987-88	9.64	7.26	9.86
1988-89	14.46	9.23	12.61
1989-90	7.52	6.66	9.11
1990-91	7.40	5.80	7.34
1991-92	7.74	6.06	8.26

Source: Based on the data collected from Government of India, Central Statistical Organisation, Annual Survey of Industries: Summary Results for the Factory Sector, various issues.

State and Local governments jointly with private enterprises are treated as belonging to the joint sector by the ASI. Those enterprises which were owned jointly by the Central and State/local governments are included under the public sector. As mentioned earlier, unless the classification of ownership groups is clear these figures will only have a limited value.

Probably, a more meaningful understanding of the significance of joint sector may be obtained through the share of the sector in the corporate sector. However, the statistical

base on the Indian corporate sector is, quite weak.<sup>4</sup> Except for numbers and paid-up capital, no global estimates are available. Even the RBI publication Report on Currency and Finance relies on the studies on finances of a limited number of large and medium sized non-governmental companies. The Research and Statistics Division of the Department of Company Affairs publishes information on non-government companies with paid-up capital of not less than Rs. 50 lakhs. This represents the larger section of the private corporate sector and provides a useful base for the objective of the present study. Table - 4 gives the share of joint sector enterprises in terms of numbers, paid-up capital, net fixed assets and turnover of companies having paid-up capital of at least Rs. 50 lakhs.

**Table - 4**

**Relative Importance of Joint Sector Enterprises  
in the Large Private Corporate Sector: 1989-90**

(Amount Rs. crores)

Category	Number of Cos.	Paid-up Capital	Assets	Turnover
(1)	(2)	(3)	(4)	(5)
All Companies	4301	12716.53	134014.06	121506.58
- of which Joint Sector Companies	262	1409.11	9174.14	6873.82
Manufacturing Cos.	3158	10160.73	99251.40	108517.50
- of which Joint Sector Companies	250	1356.69	8894.45	6808.05
Share of Joint Sector (%)				
- in All Companies	6.09	11.08	6.85	5.66
- in Mfg. Companies	7.92	13.35	8.96	6.27

Source: Based on the data collected from Government of India, Ministry of Law, Justice & Company Affairs, Department of Company Affairs, "Selected Financial Parameters of Large-sized Non-government Companies with Paid-up Capital of Rs. 50 lakhs and more as on March, 1990", in Registration and Liquidation of Joint Stock Companies in India: 1991-92, Manager of Publications, Delhi, 1992.

It can be seen from the Table that companies which were reported to have been part of the joint sector at any point of time accounted for about 11.08 per cent of the total paid-up capital of all large-sized non-government companies in India. Their share was, however, comparatively low in terms of total assets and lower further in the case of turnover. It was 6.85 per cent and 5.66 per cent respectively. At this point it may not be necessary to take note of the type of JSE and its continuity in the sector.

4. For a discussion on this issue see: K.S. Chalapati Rao and K.V.K. Ranganathan, "Directory of Joint Stock Companies, 1990: A Review", Institute for Studies in Industrial Development, Delhi, 1992 (Mimeo).

### 3 Growth of Joint Sector Enterprises

To understand the gaining or declining importance of joint sector one can categorise the companies according to the year in which the joint venture agreement was signed between the partners. It is difficult to obtain this information uniformly for all the JSEs identified.<sup>5</sup> Instead, we take the year of incorporation of the JSEs as a base for categorising as it certainly reflects the intention of the promoter(s). Table - 5 shows the distribution of JSEs on the basis of the year of incorporation. Twenty three JSEs (3.54 per cent) were established during the pre-1970 period i.e., before the Central Government announced the policy on joint sector. Between 1970 to 1972, 33 JSEs were incorporated

**Table - 5**

#### **Year-wise Incorporation of Joint Sector Enterprises**

S.No.	Year	No. of JSEs
	(1)	(2)
1.	Before 1970	23
2.	1970	8
3.	1971	12
4.	1972	13
5.	1973	26
6.	1974	44
7.	1975	30
8.	1976	31
9.	1977	18
10.	1978	28
11.	1979	42
12.	1980	44
13.	1981	65
14.	1982	43
15.	1983	31
16.	1984	39
17.	1985	47
18.	1986	23
19.	1987	21
20.	1988	25
21.	1989	17
22.	1990	16
23.	1991	4
	<b>Total</b>	<b>650</b>

Source: Same as in Table - 1

5. Assigning a year to a JSE is a difficult exercise. Should one take the year in which the license was obtained by the state level agency, the year in which the joint venture agreement was signed or the year in which the JSE was incorporated? Each of these have their own significance. For the present exercise, we have taken the year of incorporation of the JSE.

with annual average being 11 JSEs per year. After the Central Government clarified its official policy on joint sector in 1973, permitting larger scope and assigning it a promotional role there was considerable rise in the number of registrations. During 1973 to 1979 *i.e.*, until the announcement of new industrial policy in early 1980, annual average registrations was 31 JSEs per year. During 1980-1984, on an average nearly 44 JSEs got registered each year. The 222 JSEs incorporated during this period account for a little more than one-third of the total JSEs identified by us. However, the subsequent period witnessed a considerable decline in the new registration of JSEs though a large number of JSEs were incorporated in 1985. The average for 1985 to 1989 works out to only about 26. More than half of the JSEs (54.62 per cent) were established during the 'eighties.

The slowing down of the pace during the post-1985 period could possibly be attributed to the fact that our coverage is for the period ending 1991. There are, however, other factors which suggest the declining importance of the joint sector. For instance, capital market started playing an increasing role in corporate finance during the 'eighties. The period since 1985 has witnessed a phenomenal rise in the amount raised from the market. (See Table - 6). With the fast expanding and highly responsive capital market many public issues got over subscribed including those by small and new units making them confident of raising resources on their own. The substantial fall in the share of JSEs in the assistance sanctioned by the financial institutions during the later half of 'eighties also indicates the declining importance of joint sector.

**Table - 6**

**Average Annual Offers of Capital  
through Prospectus**

Period (Rs.Crores)	Annual Average offer
(1)	(2)
1976-1979	80.64
1980-1986	434.38
1987-88 to 1990-91	1,854.26
1991-92 to 1993-94	6,772.08

Note: Data relate to the new and the existing companies which went to public through issue of prospectus. The data for the years 1976 to 1986 relate to the issues made during the corresponding calendar years.

Source: Reserve Bank of India, Studies on "Capital Issues and Public Response", RBI Bulletin, various issues, and Annual Reports on the Primary Capital Market, Praxis Consulting and Information Services Pvt Ltd, New Delhi, various issues.



It further appears that the joint sector lost its momentum during the post-1991 period as very few new projects have tended to be implemented as JSEs. In the new regime industrial licensing does not have much of a role to play. So is the case with the MRTP Act. The private entrepreneur, therefore, does not need to rely on public sector agencies to get investment approvals.

Interestingly, neither the new industrial policy statement of July 1991 nor the subsequent policy announcements by the Central Government made any reference to the joint sector. Surprisingly, even the state industrial policies examined by us were silent on this account.<sup>6</sup>

#### **4 Industrial Composition of Joint Sector Enterprises**

According to the 1973 policy statement, JSEs were expected to conform to 'production targets of the Plan'. One expects that this policy got translated into practice through the mechanism of industrial licensing. To understand the industrial composition of joint sector projects each of the projects was classified according to the use-based classification of the Reserve Bank of India. The resultant industrial distribution of JSEs is given in Table - 7. The highest number of 310 joint sector projects *i.e.*, a little less than half of the total, were planned to be set up in intermediate goods industries (47.69 per cent). Next in importance were consumer non-durables which accounted for about one-fifth of the total. Basic and capital goods industries each having roughly an equal share accounted for about one-fourth of the total. Consumer durables had a very small share of 4.62 per cent with 30 projects.

Chemicals (85 projects), cotton yarn, synthetic fibre, etc. (59), non-metallic mineral products other than cement (25) and fabricated metal and metal products (21) were the important intermediate goods industries. Basic metals and alloys constituted majority of projects in basic industries with 43 projects. Other important industries in this category were: cement (12) and fertilisers (9). Capital goods industries were somewhat evenly distributed. Food products turn out to be the most important category in consumer non-durables with 37 projects followed by drugs & medicines (28), paper, paper board & products (28) and beverages and tobacco products (13).

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6. We wrote to all the states requesting them to provide the statement of industrial policy and the details of concessions and subsidies offered to industries in their respective states. The states which responded to our request are: Andhra Pradesh, Tamilnadu, Karnataka, Madhya Pradesh, Uttar Pradesh and West Bengal.

Table - 7

**Distribution of Joint Sector Projects According  
to Use-based Industrial Classification**

Industry	No. of Projects	% Share in Total
(1)	(2)	(3)
<b>1. Basic Industries</b>	<b>82</b>	<b>12.62</b>
Basic Metals & Alloys Industries	43	6.62
Cement	12	1.85
Fertilizers	9	1.38
Heavy Chemicals	7	1.08
Salt 4	0.62	
Mining & Quarrying	4	0.62
Others	3	0.46
<b>2. Capital Goods Industries</b>	<b>84</b>	<b>12.92</b>
Electrical Machinery, Apparatus & Parts	12	1.85
Cables & Wires	12	1.85
Automobile Ancillaries	12	1.85
Telephone Exchanges	10	1.54
Non-Electrical Machinery	10	1.54
Machine Tools		
Computer Systems	9	1.38
Scientific, Laboratory & Measuring Instruments	9	1.38
Others	10	1.54
<b>3. Intermediate Goods Industries</b>	<b>310</b>	<b>47.69</b>
Chemicals	85	13.08
Cotton Yarn, Synthetic Fibre, Woollen Yarn, etc.	59	9.08
Electronic Components	44	6.76
Other Non-Metallic Mineral Products	25	3.85
Fabricated Metal & Metal Products	21	3.23
Plastic Materials & Products	14	2.15
Wood & Wood Products	11	1.68
Tanning & Finishing of Leather	8	1.23
Automobile Tyres & Tubes	7	1.08
Industrial Explosives	7	1.08
T.V. Picture Tubes	5	0.77
Petroleum Refinery Products	5	0.77
Pesticides & Fungicides	5	0.77
Asbestos Cement & Products	5	0.77
Dry & Wet Batteries	4	0.62
Others	5	0.77

(Contd...)

Industry	No. of Projects	% Share in Total
(1)	(2)	(3)
<b>4. Consumer Durables</b>	<b>30</b>	<b>4.62</b>
Telephone Instruments	7	1.08
Watches	6	0.92
Scooters &	6	0.92
Television Sets	4	0.62
Others	7	1.08
<b>5. Consumer Non-Durables</b>	<b>135</b>	<b>20.76</b>
Food Products	37	5.69
Drugs & Medicines	28	4.31
Paper, Paper Board and Products	27	4.15
Beverages & Tobacco Products	13	2.00
Electrical Lamps & Tubes	9	1.38
Detergents & Toiletries	8	1.23
Textiles	4	0.62
Footwear & other Leather Products	3	0.46
Others	6	0.92
<b>6. Misc. Services</b>	<b>8</b>	<b>1.23</b>
<b>All Industries</b>	<b>650</b>	<b>100.00</b>

Note: Based on the classification given in "Use-Based Series of Index Numbers of Industrial Production 1986-87 to 1991-92", Reserve Bank of India Bulletin, February 1993, pp. 125-130.

Source: Same as in Table - 1

It can thus be seen that the joint sector, with the active involvement of SIDCs, was used to promote a wide range of industries with considerable emphasis on intermediate, basic and capital goods industries. This is probably understandable because a number of JSEs which came to the public were subjected to industrial licensing approval procedure. Also, many of these would have been implemented as public sector projects if they were not transformed into JSEs.

The relative emphasis on certain industries is probably an indicative of the simultaneous attempts made by the states to enter into similar or same industries. This was more true with two-wheelers and electronics. This phenomenon becomes more evident if one takes into account the incorporation of state government companies. For instance, the new electronics policy announced by the Government in the early 'eighties enabled the state governments to utilize the opportunities for development of electronics industry in their respective states. Though, there were a few electronics development corporations established at the state level prior to the '80s, the states like Andhra Pradesh, Orissa,

Karnataka, Tamil Nadu have taken active role in development of this industry. A number of SEDCs have obtained industrial licences/letters of intent from the Central Government for implementing the projects under joint or assisted sector schemes with private participation. It would be useful to study to what extent the crowding has affected the performance of JSEs and government companies.

## 5 State Policies for Industrialisation and promotion of JSEs

We have described in the above that the main objective of SIDCs was to accelerate the pace of industrialization in their respective states.<sup>7</sup> Policies of state governments have necessarily to be within the overall framework given by the Central Government. The state policy packages have an in-built emphasis on incentives and concessions to attract more investment for growth of large and medium industries.<sup>8</sup>

In substance, if each state offers the same incentives no one state would be seen offering special attraction. There could be an incentive for an investor to go for a state if the chosen state was the only one which offered the concession. The system of granting similar concessions for attracting new investments offers little advantage to the smaller and disadvantaged states. These policies, however, place additional burden on the states.<sup>9</sup>

State governments through SIDCs, SIICs and other state government undertakings play an active role in obtaining licences for establishing projects in their respective states.

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7. One may also refer to in this regard the views expressed by policy analysts. For instance it was said: "While financing is the primary function and promotion is the secondary function in the case of SFCs, promotion is the primary and financing is the secondary function of the SIDCs". See: V. Lakshmana Rao, Progress of Development Banking in India, Chugh Publications, Allahabad, 1986, p. 84. Similarly it was observed: "Over the years all the States have realised the importance of SIDCs/SIICs as catalysts in the industrialisation process ...". See: S.C. Kuchhal, The Industrial Economy of India, op. cit., p. 319.

8. The main concessions offered are: state capital subsidy; capital subsidy for prestigious units; state capital subsidy for pioneer units; concessions to large industry; subsidy scheme for electronics and leather; allocation of land to entrepreneurs at concessional rates; concessions in power supply; sales tax exemption/deferment scheme; subsidy for purchase of generators; subsidy for construction of effluent treatment plant by leather industry; subsidy for preparation of feasibility report; incentives to NRIs; state capital subsidy for 100 per cent export oriented units; transport subsidy to hill areas; benefits to employment oriented units; R & D subsidy for existing units; and exemption from stamp duty.

9. In this respect the observations of the National Committee on Development of Backward Areas are quite relevant. The Committee noted:

The States are giving various subsidies to induce industries to locate themselves in the State. In fact, there is a scramble for giving incentives to attract the industries to the State.

This effort is substantially a self-defeating one. All States including the industrially advanced States join this race on the plea that even they have got backward areas and each is trying to tempt the entrepreneur by giving various incentives. Many are for location anywhere in the State. ... In this scramble, the States which are going to the wall are the already industrially backward States whose power to give financial incentives is rather limited.

See: Government of India, Planning Commission, National Committee on Development of Backward Areas, Report on Industrial Dispersal, October 1980, p. 39.

The SIDCs had approximately 10 per cent share in the total letters of intent issued during the four years 1983, 1984, 1985 and 1986 claiming 468 of the 4706 letters of intent issued.<sup>10</sup> The competition among the states has attained different dimensions with greater emphasis on joint sector form of organization and various incentives being offered by the state governments.

Normally, SIDCs identify industrial projects and obtain the required Letters of Intent (LIs)/Industrial Licences (ILs) from Central Government for implementation under public sector, joint sector or the assisted sectors. While selecting the projects, states take into account different criteria which differs from state to state. The SIDCs are normally expected to take into account the following criteria for identifying projects depending upon the status of industrialization and size of the projects: (i) availability of natural resources and raw materials; (ii) availability of local entrepreneurs; (iii) potential for employment generation; (iv) regional and backward area development; (v) import substitution; (vi) export potential; (vii) availability of labour; (viii) structure of demand; (ix) absorbing capacity of the region; and (x) projects which are socially advantageous to the region.<sup>11</sup> In general, the guiding principles are the level of industrialization of the state, availability of raw materials and natural and financial resources, and the relative role of agricultural and industrial sectors in the regions.<sup>12</sup>

In many cases, SIDCs look for private partners only after having obtained LIs/ILs. The procedure for selecting a private promoter, however, differs from state to state. For instance, in Andhra Pradesh, the initial contact with the local entrepreneurs is established through advertisements.<sup>13</sup> Interested entrepreneurs approach the SIDC for participating in the project. After assessing their experience, financial position and social standing, the SIDC selects the private promoter. Such a system is also followed in many other states like Uttar Pradesh, Punjab, Haryana, Madhya Pradesh, Rajasthan, and Orissa. In Tamil Nadu and Karnataka private promoters are identified mostly through personal contacts. In West Bengal, Gujarat and Maharashtra, in the case of projects involving large capital outlays and which require proven managerial capabilities, the SIDCs are selective about the background, capabilities and financial resource position of the intending private promoters. In some states SIDCs did not strictly adhere to the objectives of encouraging local entrepreneurs due to non-availability of investible resources in adequate size and lack of managerial capabilities and competence. These factors seem to have compelled the SIDCs

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10. See the reply to Lok Sabha Unstarred Question No. 2624, answered on August 5, 1986.

11. These are based on the brochures of various State Industrial Development Corporations; See for example: PICUP, Doing Business in Uttar Pradesh: An Investment Guide; West Bengal Industrial Development (WBIDC), Unique Growth Opportunities for Investors from Across the Globe; and SIPCOT, Welcome to State with a Smile.

12. J. Viswanatha Murthy, "State Industrial Development Corporations/ State Industrial Investment Corporations and Joint Sector Projects: An assessment of operational problems"; in Majur C. Shetty (ed.), op. cit.

13. Ram K. Vepa, op. cit.

to accept large industrial houses or foreign controlled companies as partners<sup>14</sup> for implementing some of the bigger projects.

While in most cases, SIDCs invite private promoters' participation through advertisements or contact programmes to implement the project under the above schemes, there are times when SIDCs join as partners in projects for which the private promoters already hold the necessary industrial licences. Participation of SIDCs is expected to help private promoter to get other governmental clearances and finance from All-India financial institutions.

## 6 State-wise Distribution of Joint Sector Enterprises

Table - 8 shows the State-wise distribution of the 650 JSEs identified by us. Andhra Pradesh stood at the top with 120 JSEs, followed by Tamil Nadu with 79, Rajasthan with 53, Punjab with 49, Uttar Pradesh with 48, Gujarat with 48, West Bengal with 41, Orissa with 39, Kerala with 36, and Karnataka with 31 JSEs. The top three states namely, Andhra Pradesh, Tamil Nadu and Rajasthan have accounted for 38.77 per cent of the total number of JSEs. The seven industrially developed states of Maharashtra, Gujarat, West Bengal, Punjab, Tamil Nadu, Karnataka and Haryana have accounted for about 43.85 per cent of the JSEs.<sup>15</sup> The state of Maharashtra which is relatively the most developed among all the states, has promoted only 22 (3.38 per cent) JSEs. On the contrary, states like Uttar Pradesh, Madhya Pradesh and Orissa, which were less industrialized, have taken the joint sector as an important instrument to industrialise their respective states. The Pradeshia Industrial Development Corp'n. of Uttar Pradesh Ltd. (PICUP) in Uttar Pradesh; Madhya Pradesh Audhyogik Vikas Nigam Ltd (MPAVN) in Madhya Pradesh; and Industrial Development Corp'n of Orissa Ltd. (IDCOL) and Industrial Promotion and Investment Corp'n of Orissa Ltd (IPICOL), in Orissa have played an important role in promoting JSEs. It turns out that the state of Andhra Pradesh was a pioneer in using the concept of joint sector as an important instrument in its industrial promotion efforts.<sup>16</sup> The JSEs in Andhra Pradesh were reported to have achieved an impressive growth rate of 10.9 per cent in terms of number of units against the all India level of 6.6 per cent during 1973-74 to 1981-82.<sup>17</sup> It is interesting to note that Bihar, reported to be the first state which had

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14. Companies incorporated abroad and companies incorporated in India with at least 25 per cent of whose equity is held abroad are being referred to as foreign controlled companies in this study.

15. The classification of the states follows the criteria adopted by the National Committee on Development of Backward Areas and is based on per capita value added in manufacturing. Those states which were above the national average were classified as developed ones. See: National Committee on Development of Backward Areas, Report on Industrial Dispersal, *op. cit.*, Table 2.3, p. 6.

16. It was reported that Gangappa Cables Ltd was the first joint venture in the country which the APIDC had pioneered in 1967. See: Ram K. Vepa, *op. cit.*, p. 63.

17. G. Pakki Reddy, "Growth of Joint Sector", in J. Mahender Reddy et. al. *op. cit.*, pp. 39-47.

established an Industrial Development Corporation in 1960<sup>18</sup>, has been lagging behind with only 20 JSEs.

Another way of looking at the importance of joint sector for the states is through its share in investment, production, employment or any other relevant variable. As the sectoral breakup of data on these variables is not available, we have examined the state-wise assistance provided by IDBI under the project finance scheme. The relative size of financial assistance provided by the IDBI

**Table - 8**  
**State-wise Distribution of Joint Sector Enterprises**

S.No.	State	No. of JSEs	% to Total
(1)	(2)	(3)	
1.	Andhra Pradesh	120	18.46
2.	Tamil Nadu	79	12.15
3.	Rajasthan	53	8.15
4.	Punjab	49	7.54
5.	Uttar Pradesh	49	7.54
6.	Gujarat	48	7.38
7.	West Bengal	41	6.31
8.	Orissa	39	6.00
9.	Kerala	36	5.54
10.	Karnataka	31	4.77
11.	Madhya Pradesh	25	3.85
12.	Maharashtra	22	3.38
13.	Bihar	20	3.08
14.	Haryana	15	2.31
15.	Jammu & Kashmir	5	0.77
16.	Assam	5	0.77
17.	Sikkim	5	0.77
18.	Goa	5	0.77
19.	Tripura	2	0.31
20.	Meghalaya	1	0.15
Total		650	100.00

Source: Same as in Table - 1

under project finance scheme is a good proxy to the importance of JSEs. Viewed from this

18. IDBI, Report of the Working Group on State Industrial Development/Investment Corporations (SIDCs/SIICs), n.d. The report was discussed in a meeting on December 1973 and was possibly published in 1974.

angle, joint sector proved to be quite important for West Bengal, Punjab and Gujarat and to some extent for Orissa and Bihar (See Table - 9). Surprisingly, Assam stood at the top of the Table while Andhra Pradesh, which tops the list of states in terms of number of JSEs, was way below i.e., at the ninth position.

## 7 Joint Sector and Development of Backward Areas

Balanced development of different regions of the country was visualised in India's Five Year Plans as a means of improving the standard of living of the people and reducing regional disparities. From this arose the concept of "backward areas". The roots of the

Table - 9

### State-wise Assistance Sanctioned to Joint Sector Projects by IDBI under Project Finance Scheme (1969-70 to 1990-91)

(Amount in Rs. crores)

S.No. Joint	State	Assistance to Joint Sector	Total Assistance Sanctioned	Share of Sector in State Total (2) as % of (3)
(1)	(2)	(3)	(4)	
1.	Assam	105.38	231.85	45.45
2.	West Bengal	470.43	1506.45	31.23
3.	Punjab	220.82	747.38	29.55
4.	Gujarat	956.92	3937.25	24.30
5.	Orissa	175.64	840.81	20.89
6.	Bihar	122.17	618.18	19.76
7.	Tamil Nadu	336.22	2312.69	14.54
8.	Karnataka	174.70	1203.93	14.51
9.	Andhra Pradesh	269.56	2665.95	10.11
10.	Jammu & Kashmir	8.69	94.04	9.24
11.	Kerala	42.03	489.69	8.58
12.	Uttar Pradesh	183.15	2569.34	7.13
13.	Madhya Pradesh	88.31	1379.30	6.40
14.	Rajasthan	77.65	1287.85	6.03
15.	Haryana	24.58	613.11	4.01
16.	Goa	7.37	189.26	3.89
17.	Maharashtra	76.34	4735.89	1.61
18.	Himachal Pradesh	1.79	358.76	0.50
19.	Other States	7.80	54.33	14.36
20.	Union Territories	9.14	596.60	1.53
Total		3358.68	26432.66	12.71

Source: Based on data collected from IDBI, Operational Statistics, various issues.



policy towards backward areas can be found in the Industrial Policy Resolution, 1956. The IPR of 1956 emphasized that in order that industrialization may benefit the country as a whole,

... it is important that disparities in the levels of development between different regions should be progressively reduced. The lack of industries in different parts of the country is very often determined by factors such as the availability of the necessary raw material or their natural resources. It is one of the aims of the National Planning to ensure that these facilities are steadily made available to areas which are at present lagging behind industrially or where there is greater need for providing opportunities for employment, provided the location is otherwise suitable.<sup>19</sup>

The policies adopted by the Government for reducing regional disparities during the 'fifties and 'sixties were industrial licensing and location of public sector units. There was no specific programme for industrialisation of backward areas till the 'seventies. The Industrial Licensing Policy Inquiry Committee (ILPIC) which examined the operation of the licensing system had observed that the reasons for failure of the licensing system in industrialising backward areas were: (1) there was no list of industries for which regional dispersal could be attempted; and (2) there was no clear-cut demarcation of backward states or regions.<sup>20</sup>

The National Development Council (NDC) constituted two Working Groups, one under the Chairmanship of B.D. Pande to formulate guidelines for identification of backward areas and the other under the Chairmanship of N.N. Wanchoo to recommend fiscal and financial incentives for attracting industries to backward areas.<sup>21</sup> The recommendations of the two Working Groups were considered by the NDC in September 1971. Following this, the major incentives offered by the Central Government for promotion of industries in the backward areas were: (i) concessional finance from All-India Financial Institutions (AIFIs); (ii) investment subsidy; (iii) Central transport subsidy; and (iv) deduction of income under section 80 HH of Income - Tax Act, 1961 for tax purposes.

The Fourth Five Year Plan stressed the need for greater dispersal of industrial activity and development of small towns and rural areas.<sup>22</sup> The industrial policy of 1977 attached much importance to balanced regional development in order to reduce disparities in the levels of development between different regions. It was emphasized that:

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19. IPR, 1956, op.cit., Para 15.

20. ILPIC, op. cit., p. 108.

21. See: Identification of Backward Areas: Report of the Working Group, op.cit. and Fiscal and Financial Incentives for Starting Industries in Backward Areas: Report of the Working Group, op.cit.

22. Government of India, Planning Commission, Fourth Five Year Plan 1969-74 (Draft), March 1969, pp. 316-319.

... most of the industrial development that has taken place since Independence has been concentrated around metropolitan areas and large cities .... The Government decided that no more licenses should be issued to new industrial units within certain limits of large metropolitan cities and would also consider providing assistance to large existing industries which want to shift from congested metropolitan cities to approved locations in backward areas.<sup>23</sup>

The incentives provided under concessional finance and central investment subsidy were not availed to the extent and manner in which it was envisaged. The benefits accrued mainly to a small number of districts and areas and those too were pre-dominantly located in industrially advanced states. Out of 131 industrially advanced districts, 29 accounted for 59 per cent of the total investment subsidy.<sup>24</sup> In this regard the Sixth Five Year Plan (1980-85) observed that:

Regional imbalances in industrial development have not been corrected to the extent required ..... even within the state, industries have tended to gravitate towards existing centres, the backward areas remaining substantially backward.<sup>25</sup>

In consonance with the Government's policy towards achieving balanced regional development, various incentives and concessions were offered to industrial units being set-up in the backward regions. In order to encourage dispersal of industrial units and to make a distinction between backward areas belonging to industrially advanced states and other states, the Government of India classified the 301 identified backward areas into three categories 'A', 'B' and 'C' depending upon the degree of backwardness.<sup>26</sup>

The licensing system also sought to direct investments to backward areas by offering certain exemptions and concessions. For instance, further expansion of MRTP/FERA companies was restricted to what are called Appendix - I industries. MRTP/FERA companies were permitted to set up units in non-core sector if they agreed to export certain proportion of the output. However, if such units were set up in notified backward areas, the policy provided for relaxing the export obligation norms. Against the normal obligation of 60 per cent, a reduced export commitment of 25 per cent for 'B' and 'C' category districts was allowed. The export obligation requirement was dispensed with for category 'A' districts (no industry districts and special regions).<sup>27</sup>

Of the total investment subsidy reimbursed up to 1976-77, four states, namely,

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23. "Statement of Industrial Policy, 1977", Government of India, Ministry of Industry, Department of Industrial Development, Guidelines for Industries, part - I, Policy and Procedures, June 1979, page, S-II.30. Para. 31.

24. Government of India, Planning Commission, Evaluation Report on Concessional Finance and Other Incentives in Industrially Backward Areas, November 1981, p. 1.

25. Government of India, Planning Commission, Sixth Five Year Plan: 1980-85, 1981, p. 88.

26. Industrial Development Bank of India, Schemes for Assistance for Development of Backward Areas, November 1987.

27. Government of India, Ministry of Industry, Guidelines for Industries, Part I, Policy and Procedures, Chapter II, Indian Investment Centre, January 1988, p. S-17.

Tamil Nadu, Maharashtra, Karnataka and Andhra Pradesh, accounted for 53 per cent and the remaining 25 states/UTs had less than half the amount. It is clear that central investment subsidy was availed and appropriated by a few states notably by those which were already at a high level of industrialisation.<sup>28</sup> In view of the relatively small share of investment subsidy in financing large-sized projects, a better measure of importance attached to backward areas may be found in the financial assistance sanctioned by the AIFIs.<sup>29</sup> Table -10 shows that the share of five states namely, Uttar Pradesh, Gujarat, Maharashtra, Andhra Pradesh and Madhya Pradesh was 56.60 per cent in total assistance sanctioned upto 1990-91.<sup>30</sup> Uttar Pradesh has the highest share of 12.43 per cent in the assistance sanctioned to backward areas. It is also important to note that the two advanced states Maharashtra and Gujarat have also benefitted significantly from the scheme their combined share being 23.73 per cent. On the other hand, assistance sanctioned to backward areas in the bottom four states namely, Bihar, Assam, Haryana, Kerala, and Orissa accounted for just about 10 per cent of the total.<sup>31</sup>

Table - 10 also shows the state-wise share of backward areas in the total assistance sanctioned. Six states had allocations (sanctioned) to backward areas more than 40 per cent of the total assistance sanctioned by AIFIs to the respective states till 1990-91. These were: Andhra Pradesh (40.28); Karnataka (40.90); Madhya Pradesh (55.88); Punjab (43.05); Rajasthan (48.69); and Uttar Pradesh (49.14). The states which have hundred per cent share of backward areas were the hilly states. There were six states where share of backward areas ranged between 25 to 40 per cent in total assistance sanctioned during the same period. These were: Gujarat (33.66); Haryana (27.87); Kerala (38.63); Orissa (37.21); Tamil Nadu (28.43); and West Bengal (38.15).

Coinciding with the objectives of state-level institutions, one of the important objectives of the joint sector is to attract entrepreneurs to the relatively backward areas in order to achieve balanced regional development. Though a number of incentives are provided for setting up projects in the backward areas,

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28. Evaluation Report on Concessional Finance, *op.cit.*, p. 52. Further, it was noted that:

The State level promotional work in India has so far been marked by an unevenness of performance, the degree of intensity of work far from being proportionate to the level of backwardness or the urgency of the problem. In fact it is the more developed States (Maharashtra, Gujarat and Tamil Nadu) which have a promotional frame work more nearly adequate to the needs.

See: Government of India, Ministry of Industrial Development, Report of the Committee on Development of Small and Medium Entrepreneurs, Indian Investment Centre, 1975, p. 15.

29. Though relatively small, it was noted that "... significant part of the assistance rendered by the SIDCs went to the backward areas in respect of most of the States/Union Territories". See: Lakshmana Rao, *op.cit.*, p. 88.

30. While it would have been desirable to deflate the assistance figures using a suitable price deflator, we have adopted the IDBI practice of clubbing the annual approvals without any price adjustment. Sub-period wise analysis for 1985-86 to 1990-91 also yielded a similar picture with very little difference in the ranking of states.

31. For this purpose the very small states like Goa, Sikkim, etc. have not been considered.

Table - 10

**State-wise Assistance Sanctioned by IDBI to Backward Areas  
and Share of Backward Areas in Total Assistance  
(Cumulative upto March 1991)**

(Amount in Rs. crores)

State	Assistance to Backward Areas	Total Assistance Sanctioned	State's Share in Assistance to Backward Areas	Share of Backward Areas in the State (2) as % of (3)
(1)	(2)	(3)	(4)	(5)
1. Andhra Pradesh	3006.9	7464.9	9.16	40.28
2. Arunachal Pradesh	19.4	19.4	0.06	100.00
3. Assam	662.5	662.5	2.02	100.00
4. Bihar	465.3	2030.7	1.42	22.91
5. Goa	711.2	711.2	2.17	100.00
6. Gujarat	3804.1	11301.1	11.59	33.66
7. Haryana	645.0	2314.7	1.97	27.87
8. Himachal Pradesh	1015.3	1015.3	3.09	100.00
9. Jammu & Kashmir	478.7	478.7	1.46	100.00
10. Karnataka	2012.4	4920.4	6.13	40.90
11. Kerala	667.5	1727.8	2.03	38.63
12. Madhya Pradesh	2717.8	4863.6	8.28	55.88
13. Maharashtra	3983.7	18250.6	12.14	21.83
14. Manipur	38.5	38.5	0.12	100.00
15. Meghalaya	83.7	83.7	0.25	100.00
16. Mizoram	31.7	31.7	0.10	100.00
17. Nagaland	36.2	36.2	0.11	100.00
18. Orissa	868.3	2333.8	2.65	37.21
19. Punjab	1152.9	2678.1	3.51	43.05
20. Rajasthan	1891.2	3884.0	5.76	48.69
21. Sikkim	30.5	30.5	0.09	100.00
22. Tamil Nadu	2233.0	7854.9	6.80	28.43
23. Tripura	36.6	36.6	0.11	100.00
24. Uttar Pradesh	4081.6	8305.6	12.43	49.14
25. West Bengal	1587.8	4161.6	4.84	38.15
26. Union Territories	561.8	2412.7	1.71	23.29
Total	32823.6	87648.8	100.00	37.45

Source: Based on the data collected from IDBI, Report on Development Banking in India: 1990-91, Bombay, 1991.

Note: While it would be desirable to deflate the annual sanctions, we have taken the figures as reported by the IDBI.

state participation in the risk capital would be an additional incentive for private entrepreneurs to invest in backward areas. The joint sector assumes special significance due to four important factors. One, in the private sector, the investment decisions are mainly return oriented. Unless prompted by relaxation of statutory obligations such as industrial licensing norms and offer of more incentives, private sector will not be forthcoming to set up projects in backward areas. Two, public sector investments are mainly confined to the core and heavy investment sectors of the economy. These industries were reserved for the public sector due to: (a) strategic reasons; and (b) private investment will not be easily forthcoming due to long gestation periods and/or requirement of very large investments. The development of backward areas is not an important consideration by itself when deciding upon the public sector investment, though this generally becomes incidental in most public sector investment decisions.

Three, since the initiative for promoting joint sector projects is generally taken up by the SIDCs, these would be guided by the developmental needs of the states rather than merely by the return on investment. The choice of location of the project is decided by the SIDCs since in many cases they initiate the project. The private promoter will also agree to such a location in the backward area since he can get the project comparatively with lesser financial involvement and also avoid the trouble of obtaining necessary administrative clearances. Four, investments in joint sector need not be very large and confined to particular industry or specific geographical areas. Judicious selection of joint sector projects would not only enable wide dispersal of industries based on factor endowment but also have the potential to catalyse further growth of industries in those regions. Joint sector projects are also in a position to mobilize maximum possible resources, both financial and human, since it can draw resources from both public and private sectors.

It is, therefore, evident that the joint sector has the potential to play an important role in covering much larger area for bringing about industrial development compared to the other sectors. An examination of the locational pattern of the JSEs will help in understanding the extent to which the joint sector form was used in realizing this objective. One way to examine this is with the help of percentage of JSEs being directed to the backward areas within a state.<sup>32</sup> The progress in this respect, however, does not appear to be uniform. Table - 11 shows the distribution of 275 joint sector projects according to location of the projects.<sup>33</sup> Out of the 275 projects, 166 or about 60 per cent of the total are

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32. Since this is an exercise at the aggregate level we have not tried to further categorise the backward districts into A, B and C categories.

33. Out of the 301 JSEs which went public we could get prospectuses and other details on 275 JSEs.

Table - 11

## State-wise and Location-wise Distribution of JSEs and the Corresponding Project Cost

S. No.	State	Number of JSEs			Total Project Cost(Rs.Cr.)			Share of BWA in Total (5) as % of (7)
		BWA	Non-BWA	Total	BWA	Non-BWA	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1	Goa	3	-	3	58.01	-	58.01	100.00
2	Jammu & Kashmir	1	-	1	19.70	-	19.70	100.00
3	West Bengal	6	4	10	231.11	10.72	241.83	95.57
4	Orissa	14	4	18	271.54	25.26	296.80	91.49
5	Rajasthan	17	3	20	117.84	18.46	136.30	86.46
6	Maharashtra	8	3	11	159.30	28.28	187.58	84.92
7	Madhya Pradesh	7	4	11	50.12	10.70	60.82	82.41
8	Uttar Pradesh	14	9	23	920.94	219.42	1140.36	80.76
9	Punjab	16	17	33	410.44	233.09	643.53	63.78
10	Gujarat	18	9	27	1075.78	737.74	1813.52	59.32
11	Kerala	7	5	12	24.95	25.84	50.79	49.12
12	Haryana	4	6	10	33.28	46.86	80.14	41.53
13	Andhra Pradesh	21	13	34	160.50	286.32	446.82	35.92
14	Tamilnadu	17	18	35	199.29	460.59	659.89	30.20
15	Bihar	4	4	8	50.27	118.54	168.81	29.78
16	Karnataka	9	9	18	163.85	2173.99	2337.83	7.01
17	Assam	-	1	1	-	188.00	188.00	-
Total		166	109	275	3946.93	4583.81	8530.73	46.27

Source: Based on the data generated from the prospectuses of JSEs which went to public for issue of capital. To this additional information like classification of private promoters, location, etc. was added wherever relevant.

Note: - = nil; BWA = Location in Backward area; and Non-BWA = Non-Backward area.

located in backward areas. The JSEs located in backward areas, however, had accounted for only 46 per cent of the total project cost. The lesser share of backward areas in project cost was due to the location of some large projects in non-backward areas. If we keep Karnataka out of the calculations, it would turn out that share of backward areas in numbers as well as project cost works out to more than 60 per cent. It may be mentioned that a single project namely, Mangalore Refinery and Petrochemicals Ltd with total project cost of Rs. 2,090.00 crores was responsible for the very high share of non-backward areas in Karnataka.

If we look at the state-wise figures, in case of states like Andhra Pradesh, Gujarat, Maharashtra, Madhya Pradesh, Orissa and Rajasthan, the share of joint sector projects located in backward areas in the state was higher than the All-India average. It is

interesting to note that in relatively advanced states like Maharashtra and Gujarat the joint sector route was used to direct industry to backward regions of the respective states. In the case of other states, the high share of backward areas can be understood in terms of the relative backwardness of the state itself which implies that considerable area has been identified as backward. Besides Gujarat and Maharashtra the states which have high investment in backward areas are Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal. It thus becomes clear that the states which were industrially lagging behind like Orissa and Uttar Pradesh have taken advantage of this sector for the development of backward areas in their respective states. A notable exception again, is Bihar.

From the above discussion it does appear that joint sector projects were predominantly located in backward areas. However, no clear-cut pattern has emerged distinguishing industrially developed and other states in directing industry to backward areas.