INDUSTRIAL POLICY OF INDIA :

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PREFACE

Industrial development is a key factor for rapid economic development of any country. It is more true in the case of developing economics since it would help combating many economic evils which they have been facing. Rapid industrialisation results in increased production of both consumer and capital goods and rise in the levels of living. The process of economic development through industrialisation involves the provision of new methods of production, institutional arrangements to encourage enterprise skills. And, above all, it requires the development of economic infra-structure. All these pre-requisites of industrialisation require huge amounts of social investment which may be beyond the capacity of the private sector. Moreover, social investment is characterised by long gestation period which usually keeps away the private sector. Such being the case, it is inevitable for the government to play an active role in the industrialisation of the country and thus ensures a speedy growth of the economy. Some measures like the judicial expansion of monetary credit, creation of institutional framework to encourage and promote industrial development, efficient execution of financial policies and credit assistance to small-scale industries are vital for providing general economic frame work conducive to industrialisation. Further, Government monopoly of heavy, basic and strategic industries has been necessitated to achieve the targeted pace of economic development. Therefore, it is necessary for us to study the Industrial Policy of the Government of India.

The industrial secnario has changed since the mid 80s with the first round of liberalisation. The new policy reforms introduced since June 1991 set in motion a series of structural changes in the sphere of trade, industry, banking, financial institutions, and foreign investments so as to correct imbalances in the external payments position, fiscal deficits and continued loss in the public sector undertakings. The country has embarked upon a massive programme of stabilization and structural reforms as a part of new economic policy. The objective is to improve the efficiency of the system. The thrust is towards creating a more competitive environment in the economy, so as to improve the productivity and to ensure overall prosperity. While the industrial policy changes tend to bring about a greater competitive environment in the home market, the trade policy aims at improving international competitiveness subject to the protection offer by tariffs. The stabilization policy is intended to correct the lapses whereas structural reforms policies are intended to accelerate licensing and regulation of foreign trade and financial sector.

During the last four decades, the Indian economy was dominated by the regime of multiple controls restrictive regulations and various state interventions. Major share of country's resources were applied to finance public sector projects bringing low rate of return year after year. The Government expenditure in respect of subsidies, interest payments, and defence services registered a share increase resulting into deficit in the budget and increasing burden of borrowings.

With liberaliztion and globalisation, there is a vast scope of increasing the rate of economic growth in India. Liberalisation of economy will help in promoting employment, bringing about economic and social justice and eradicating poverty. There is need to have a global vision structural adjustments, should be keeping in view the domestic conditions. The policy implications of structural adjustments have been that inflation rate had gone down from 16.7% to less than 10% by 1993. Fiscal deficits, revenue deficits, have been controlled and foreign exchange resources piled upto 16 billion US dollars. Industry and business striving for foreign exchange was given the desired freedom through newly introduced liberalised exchange rate management system. As part of the structural adjustment programme many state governments have come out with industrial policies for promotion industries especially through foreign direct investments from NRIs. In short, with the launching of new economic reforms, the focus, thrust, approach and policy prescriptions have assumed a new dimension, meaning and significance.

An attempt has been made in this thesis to present a systematic picture of Industrial Policy Resolutions of the government of India. This thesis also presents a comparative study of Industrial Policy Resolution from 1948 to 1990. An attempt has been made at the end to put some suggestions for better Industrial Policy.

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While writing this thesis, I have tried to collect the material that lies scattered in the vast array of books, journals, government publications, report and articles by scholars. I gratefully acknowledge my debt to all of them.

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Chapter - 01

I.I PUBLIC POLICY

One of the essential functions of Government is policy formation. In the words of Dr. Appleby, the essence of public administration is policy making. Policy is prior to every action. It is a pre-requisite to all management. It is the policy which sets the task for administration. It provides the framework within which all actions for the accomplishment of an objective are to be activated. Policy is in fact planning for action; it is getting ready for setting the sails to reach the desired destination.

Policy means a decision as to what shall be done and how, when and where. In the words of Terry, "A policy is a verbal, written or implied basic guide to action that is adopted and followed by a manager."[1] In the words of Dimock, "policies are the consciously acknowledged rules of conduct that guide administrative decisions."[2] Policy is not the same thing as rule because policy is dynamic and flexible whereas 'rule' is specific and rigid. Policy should also be distinguished from decision. Though policy in itself is a big decision, it provides the framework within which several other series of decisions are taken. Policy is not the same thing as 'method of procedure' because the latter exists to effectuate the former. Policy deals with basic issues, basic to the working of the whole administrative machinery. These issues may be simple and limited in nature

or they may be complex and numerous. For simple issues, it will be easier to take decisions; for complicated issues, decision may require considerable research, study and analysis.

Policies are vital for planning a course of action. They supply necessary guidelines which help in planning, implementing and realising desired objectives and in keeping the activities of the executive within a 'prescribed framework of action'. Policies thus give meaning and form to objectives.

Although public policy has been a major concern of social scientists and the general public for a long time, there is considerable disagreement over what public policy is, and what it is not. According to David A. caputo, " To the general public, policy usually means a goal - that is, something to be gained by a governmental decision or set of decisions." And again, "There are two standard definitions of public policy - one broader and one narrower than the fast. The narrower definition of public policy focuses on the direct impact of specific Governmental decisions.....The .....more comprehensive definition includes.....the governmental and non-governmental factors influencing those decisions.(3)

The term is often confused with rule, custom and decision making. While both rule and policy prescribe do's and don'ts, rules are different from policy in being more specific and rigid. A custom can be

defined simply as a 'habitual course of action'. It just grows. It is never adopted by deliberate action as is done in the case of public policy. Geoffrey Vickers draws the difference between policy making and decision making - " The first being designed to give direction, coherence, and continuity to the course of action for which the decision making authority or body is responsible, the second to give effect to the policies thus laid down."[4] A distinction is also made between policy and methods or procedure. While the former is concerned with basic issues, the latter deal with the way of giving effect to the policy.

The terms - goals, purposes, policies and objectives - are often used synonymously. Goals and purposes refer specifically to broad intents for the realisation of which policies and objectives are formulated e.g. removal of poverty is a goal which is sought to be achieved by gearing rural, urban and industrial development policies in that direction, i.e. policies are instruments for realising definite goals, the former is the means for realising the end (goals). Objectives are mere concrete ends to be achieved by following specific policies. According to Hughes, "Public policy is a statement or an interpretation of an action that carries the weight of government authority. It may be used in determining business and political decisions."

Public policy analysis is concerned with governmental behaviour. What the government actually chooses to do or not to do forms the core

policy inquiry. Major policy decisions are taken by the government is such areas as defence, industry, agriculture, education, and so on. These decisions involve enormous costs to the nations. Besides financial expenditure such decisions produce important and wide-ranging consequences. Why particular kinds of decisions were taken, how these were arrived at, and what would be their likely consequences-these questions are now being raised by policy analysts. Since policies determine the future shape of the society, scientific knowledge about policy making needs to be build up. Empirical studies in various fields of governmental operations are expected to yield critical evidences that could called policy science.[5] Yehezkel Dror, who has been passionately pleading for more and more social science applications to public policy problems, presents his point of view thus: "Policy science can be partly described as the discipline that searches for policy knowledge, that seeks general policy issue knowledge and policy making knowledge and integrates them into a distinct study."[6]

Policy issue knowledge refers to knowledge relating to a specific policy. Policy making knowledge has wider concern; it deals with the system of policy making activity - how it operates and how it can be improved. As dror exhorts, "The development of policy science must be speeded up and this advanced policy science put to its fullest use, if critical problems are to be adequately solved."[7]

Policy analysis today is emerging as a subdiscipline with its attention focused on three thing :

i) Understanding of policies rather than recommendation. The accent is on explanation and not directly on prescription;

ii) Scientific quest for casual relationship in policy issues. Causes and consequences of public policies are now being subjected to rigorous analysis;

iii) Creation of a body of policy science knowledge . Micro or specific policy studies are being used for reaching broader generalisations for universal explanatory purposes.[8]

There are different ways of looking at public policy, though they are not mutually exclusive. Thomas R. Dye has classified the models of public policy as follows:

1) Institutionalism - It means that government lends legitimacy to policies. A policy becomes public only when government institutions determine it authoritatively. That is to say, public policies originate in government institutions that formulate and implement them.

2) Group theory - According to this view, public policy reflects the equilibrium reached in the group struggle. It is observed that as different interest groups struggle among themselves to influence public policy, the

latter tends to tilt towards the more influential group.

3) Elite Theory - Group theory is pluralistic while the elitist theory is monastic. According to it, public policy reflects the preferences of a governing elite. A policy is given a public character, but, actually speaking, very few care or have knowledge about what goes on in government . They are, therefore, led and manipulated by the elites. Thus public policy does not originate from the masses but flows from the top downwards.

4) Rational model- According to this view, a policy is rational when it is most efficient i.e. when there is a maximisation of 'net value achievement.' 'Net value achievement' means that while framing a policy, all relevant values, social, political and economic should be taken into account and if some values are sacrificed they should be compensated by the attainment of others.

5) Incrementalism- The incremental model while realising the practical difficulties in rational comprehensive policy making draws attention to the constraints of time, cost, intelligence and politics on administration. According to Lindblom, governments tend to perpetuate old policies with a few modifications. Policy makers start with the accepted programmes and budgets and supplement them with new programmes and policies.

6) Game Theory - It has been used as a method for studying

decision making in situations of conflict e.g., in international relations. Each decision unit has its own goals or objectives and decides how to achieve them. Yet each has to take into account that there are others whose goals may be different but whose actions may affect them. The game theory has been used as an analytical tool, by social scientists to explain social behaviour in conflicting situations.

7) Systems theory - A 'systems' view of public policy characterises policy decisions as outputs of the political system. This view is widely accepted as a useful way of looking at policy processes as these actually operate. This approach facilitates policy analysis regarding both formulation and evaluation of policy.

Policies, according to their source, can be classified as :-

i) Originated policies - These policies owe their origin to objectives defined by the constitution, legislature or cabinet. They are broad in scope allowing the administrative officials wide discretion to define them clearly.

ii) Implied policies - They develop where no clear policy exists. Having no experience or example to work from, executive officers adopt their own guidelines either by interpreting the action of their superiors or by taking into consideration the spirit underlying the original policies

iii) Appealed policies - Policies stemming from appeals made by subordinates are called appealed policies. As appeals are taken upwards and decision made, a kind of common law originates setting a precedent which guides future managerial action.

iv) Externally imposed policies - These policies are the result of external influences on policy making, e.g. political parties declare their policies through election manifestoes. The party coming to power influences or pressurises the government to implement these policies. Similarly, the opposition parties influence policies by criticising the short-coming of the present policy and arousing public opinion against certain of its aspects.

According to E.N. Gladden, public policies may also be classified as : -

i) Political policy : When political parties, legislature and the cabinet ministers participate to define the major activities of the government in the socio-economic field, a political policy is said to have been framed.

ii) Administrative policy: The framing of administrative policy is generally the work of top management, i.e. ministers, heads of the departments and divisions. It seeks to provide a broad framework for action by defining the main objectives, the interdepartmental policies and linkage of departmental policies and programmes with the governmental policies.

iii) Programme policy:- It is a detailed plan for executing programmes in specific departments. Its success depends upon its administrative practicability.

iv) Operational policy :- It is also known as the work policy and is chiefly concerned with a systematic analysis of an authorised programme, and with working out means of implementing it. This work is mostly done by sectional heads and supervisors who are technical experts. By means of an effective 'suggestions' scheme, every member is enabled to contribute his knowledge and experience to policy making.[9]

Policy making is a function which no government can escape, whether it is democratic, autocratic or monarchical. Policy decisions are necessary because the socio-culture needs and environment of society keep on changing, ideologies change, goals and objectives change, and with it a respective change occurs in programmes and policies. Policy is, thus, dynamic and subject to a continuous process. It is subject to the influence of a number of factors like constitutional provisions and limitations, legislative laws; prevailing social values, norms, mores, customs, traditions and conventions; influence of public opinion, Pressure groups and international law; concurrence of other agencies etc. lastly, policy making is a cooperative social endeavour involving the efforts of many agencies, e.g., the legislature, the executive, the judiciary, the chief executive, various levels of the hierarchy, political parties, pressure groups etc.

E.N. Gladden identifies four different levels of policy making--political or general policy framed by parliament; executive policy, framed by the cabinet; administrative policy, the form in which the will of the government is carried out, and technical or operational policy, that is, the day to - day policy, adopted by officials in the working out of administrative policy.

The success of a policy depends upon these factors :

i) Administrative - The politician who is the source of all decisions has to depend upon administration for efficient guidance and information. Efficiency of the public policy depends upon the efficiency of administrative advice in turn depends upon the availability of human resources, the quality of administrative ability, capacity of the administrative system to attract and retain competent personnel and upon traditions.

ii) Organisational - While an organisation owes its shape to the degree and kind of policy making that goes with it, the actual form of policy making depends upon the nature of the aims and functions of the organisation.

iii) Public opinion - Public opinion is fundamental to the life and death of policy making, for much of the modern administrative effort depends on active cooperation of the citizens.

According to Alord and Beaty, a policy should be so formulated as to cover all conditions that can be reasonably anticipated; should be based on facts and sound judgement; should be definite, positive, clear and easily understood by everyone in the organization; should be flexible as well as have a high degree of permanency; should be compatible with public interest and conform to economic principles, statutes, regulations etc; should be practicable; and should be a general statement of established rules to be followed in recurring situations rather then elaborate description of procedures.

According to Gladden, much help will be needed from numerous sources and many factors will have to be taken into account in shaping final plans of action. These factors may be classified into four broad categories party, official, non-official, general or external.

1. Party : i.e. Political party. It is an external non-official body, formed by two or more bodies constitutionally, and contending for power. This is a modern innovation for providing programmes and manpower to the government. Because of the complexity of modern public administration and the need for widespread acceptance of the policy to be implemented, the political party, as a programme-making body, is essential to effective government.

2. Official : - Numerous administrative and officially conceived outside bodies assist the government in policy making. These are :

(a) Permanent officials: They are professional assistants of the government, organising and running the administrative services. They give advice at all stages of policy-making, and also ensure the availability of vital information and research services. Their other responsibilities include drafting bills and devising the administrative structure and methods for carrying out a policy.

(b) Advisory bodies : Their need always has been felt both for policy making and administration. They usually consist of experts, representatives of the citizens or knowledgeable citizen, depending upon the field of operation. This makes consultation with experts, politicians, citizens etc. Possible, irrespective of the fact whether they have any official standing or not. The planning commission, judiciary, national development council, standing labour committee, central advisory board of education, Indian labour conference, import and export advisory committee etc. are examples of such bodies.

(c) Inquests and Inquiries : - Government, when faced with a problem, tend to appoint committees or commissions of inquiry. Their reports help the government in taking necessary action.

3. Non- Official : These factors include (a) Publicity - It means dissemination of information vital to the health of the community, and essential for effective policy formulation. It is, therefore, necessary that the press should be free .

(b) Pressure Groups - Lobbying is a well known device for effecting policies and pressure groups are groups of citizens sharing common interests and fighting for the protection and realisation of these interest. While political parties from the most important pressure group, there are others also much as trade unions, employees associations, students unions, farmers unions, lawyers' association etc.

(c) Citizens Participation - The success of a policy depends on whether or not it is accepted by the people. This is the essence of democracy.

4. General or external - It would be suicidal for politicians and administrators to frame policies without taking cognisance of :

i) Traditions and material context - History, Traditions and the socio-economic environment of the country influence government activities, and cannot be ignored by policy makers.

ii) Philosophies - Ideologies have the most profound influence on policy-making. The teachings of Marx, and the concepts of democracy, liberalism, and socialism, have tremendous influence on policy-making.

iii) External - International relations and world economic trends are important considerations in policy making. All favourable and adverse reactions have to be anticipated and considered while formulating a policy.

Policy Making In India

The basic policy choice is given by a committee which encourages wide public participation, and commissions specialists, if necessary. The committee is assisted by a secretary and a secretariat. At times projects are assigned to outside agencies as well.

The ministry directly concerned with that policy influences policy choice in two ways - formation of the committee, and the secretariat assistance to the committee. The minister keeps himself abreast with the development in policy choice by holding discussions with the committee, and then gives the necessary information to the prime minister.

The Prime Minister initiates as well as reacts to certain suggestions in plans or policies. Prime Minister's note originate either in private discussions or in points brought forward in cabinet meetings; in political circles or in discussions with state leaders; or through contacts with the public or in discussions with people around him.

Evaluation of Policy Making in India

The areas of criticism are :

(i) The data available in general and diffused. The committee has to pick and choose. While the committee's report provides valuable data or policy-making, no continuity is maintained once the committee completes

its task.

(ii) Vast consultation and participation in policy formulation increases the acceptability of the policy, but does not necessarily help in achieving results intended in the policy because committees suggest improvements rather than innovations; no single specialist can study complex policy issues alone; and perspective is segmented because schemes and policies are not examined relatively but in isolation.

Appraisal

(i) The data available is massive, and organisations set up in the cabinet secretariat, ministries, planning commission etc. have developed expertise and competence to provide information on many socio-economic and political aspects of the country.

(ii) Technical expertise has increased, and establishment of special institutions and universities has open new horizons of knowledge for policy formulation.

(iii) A vast institutional frame has been developed for people's participation in policy issues.

(iv) Systematic review of the policy is done by the ministry concerned and planning commission.

It is obvious that tough efforts have been made to achieve efficient policy formulation, much remains to be done.

Evaluation of Public Policy

The system of built-in-checks is as old as the organisation itself. Earlier organisations, being simple, made use of more direct and informal means of control while modern organisations rely on indirect and formal methods. The advance in science and technology has helped in the development of more sophisticated mechanisms of control mainly in the form of reporting and evaluation. For implementation public policy is broken up into different programmes, project and activities. The success of a policy, programme, or project depends on an efficient system of reporting, analysis, and evaluation.

Reporting and appraisal are important internal instruments of management used for exercising control over its operations, reviewing its operational trends, and taking corrective measures. Internal checks are not adequate controls, especially when the aim is to active social and economic change through planed efforts. Therefore, these built-in-checks have to be supplemented by evaluation ---- an investigation or appraisal by an outside impartial body-- to have an objective assessment of the working of the agency. The importance of evaluation as an aid to proper implementation of public policy or plans or development has been recognised from the very onset of planning in India as has been maintained

in the first plan document; " With every important programme provision should always be made for assessment of results ..... systematic evaluation should become a normal administrative practice in all branches of public activity."[10]

Evaluation has been differently understood by different authorities. While according to some, it is a process of determining the value of an enterprise, others define it as an analytical method of highlighting the relative merits or deficiencies of plans, policies, programmes, methods, procedures, situations and even persons, though some do not agree that it pertains to persons. Some conceive evaluation as an 'achievement audit' i.e. a systematic and continuous inquiry into the efficiency of means for reaching defined ends. Broadly, "evaluation is a systematic assessment of progress; of the role of the implementing machinery; an analysis of the problems and difficulties arising in the effective implementation of a programme or a policy; and an indication of the corrective measures necessary; all by an independent agency."[11]

The objectives of evaluation are to ascertain the progress made in the implementation of the policy/programme; determine, in terms of time, the progress made towards the achievements of ultimate goals; judge the efficacy of the methods adopted to active objectives, i.e. to analyse the shortfalls and their causes; provide guidance for the execution of a programme or policy; provide a sense of satisfaction to the officials involved, for the job done and a sense of security for being corrected in

time; and create an informed and responsible public opinion by publishing the results of evaluation.

Scope : Evaluation should, generally, deal with an entire programme, and 'underline general rather than local features' so as to assess the trends in policy implementation. Moreover, all programmes of public importance should fall within the purview of evaluation.

In India, evaluation was initially confined to community development projects, but was latter extended to other rural sectors e.g. panchayati raj institutions, agricultural programmes etc. The developmental policies have necessitated the coverage of all plans, politics, projects and activities by evaluation. According to Barnabas, the broad criteria for selecting programmes ~~for selecting programmes~~ for evaluation are :

(i) all projects and programmes should be of a pilot nature;

(ii) programmes which show persistent shortfalls, lags, problems, and difficulties in implementation;

(iii) impact programmes of 'crash' nature;

(iv) programmes and schemes, which entail large outlays and rely on people's co-operation for their success,

(v) special programmes for the benefit of backward classes or weaker section of the community;

(vi) working of people's institution;

(vii) working of departments which deal with large sections of people.

Since the scope of evaluation is vast, certain programmes are selected for ad-hoc studies. The question regarding the basis of evaluation - whether it should be cost oriented or goal-oriented? Means whether the policy should be judged in terms of money spent, or in terms of objectives achieved. Though expenditure is an essential element in policy achievement it cannot be made the sole criterion. However, one cannot be indifferent to this aspect, for it would lead to wasteful expenditure which no country in the third world can afford. Hence, evaluation should take cognisance to the objectives of the policy and programmes, organisation, personnel for the implementation of policies, operating methods, procedures, cost and time factor.

Methods : Usually, survey and case methods are used for evaluating policies and development programmes affecting a large section of the public because they involve all the steps of systematic social science research - formulation of a hypothesis, selection of samples, collection of data and evidence, analysis, classification and drawing of conclusions.

The first step in evaluation is a detailed description of the problem to be studied. Usually the problem is defined in terms so that data and

information on all main points of the study can be obtained. During the course of study a bench-mark survey is connected for purposes of comparison. In case the survey is not possible, or has not been conducted, recourse to consultation of records is taken.

Usually evaluation is confined to qualitative measurements e.g. the number of roads built, the amount of wheat, in quintals, produced etc. But development policies and programmes cannot be measured quantitatively. Hence evaluation should include both the tangible and the intangible results achieved in relation to the principal objectives of the policy evaluated. Evaluation analysis should present data and their interpretation as well i.e. measurement should be made against certain values as well. In this way, evaluation methods or techniques will be statistical as well as sociological, scientific as well as value inclined.

Machinery : The first attempt at scientific evaluation was made in 1952 with the establishment of the Programme Evaluation Organisation (PEO) as an independent organisation under the planning commission for evaluating community development projects; its scope has been widened from 1960 onwards, to include the whole rural sector. Its main functions are to study the progress of a programme and to measure its impact on the socio-economic life in the country side; determine the achievements and failure of different items of the programme, and ascertain their causes; and suggest improvements.

It provides training facilities for research officers and orientation training courses for senior officers engaged in evaluation. Besides the technical and administrative staff at its headquarters in New Delhi, PEO has a number of regional offices and field evaluation units. It under takes studies and surveys for ministers and departments.

Besides the PEO, erstwhile committee on plan projects in the planning commission had also conducted a number of evaluation studies. Ad hoc evaluation studies are conducted by the ministries as well. Universities and research institutions have also conducted many useful studies. The United Nations Economic Commission for Asia and the Far East (ECAFE) has also undertaken some evaluation work regarding the role of the CDP. A few studies have been conducted by voluntary organisations such as the All India Panchayat Parishad and the Association of Voluntary Agencies for Rural Development (AVRAD). Assessment work of various programmes is found in the reports of the Public Accounts Committee and the estimate committee of the Parliament and state legislatures. Certain states like Rajasthan, U.P., and Bihar have set up separate well oriented units for purpose of evaluation in their planning departments. The increasing sphere of development administration necessitates strengthening of the evaluation machinery both at the centre and in states, and proper coordination among all the agencies involved in evaluation work.

Much of the value, importance and utility of evaluation is lost for

lack of follow-up action. The number of evaluation studies are piling up. Therefore, vigorous follow-up action is essential if the efforts at evaluation are not to go waste. Each evaluation report should be submitted to the sponsoring agency. Much time should not be lost between the completion of the study and the submission of the report to the sponsoring agency. Evaluation organisations should submit annual reports to their respective legislatures so that the latter can ensure some follow-up action. Governments should submit a statement to their respective legislature showing the action taken by them on the recommendations of the evaluating organisation. Results of evaluation should be published in a simple language which a layman can easily understand.

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1 : 2 - THEORETICAL FRAMEWORK

By the term industrial policy we mean the policy which is adopted by the government for promoting industrialisation in the country. It also refers to the policy instruments adopted to push up the rate of economic development. The term 'Industrial Policy' has a very wide connotation. It includes all those principles, rules and regulations which influence the industries of a country and its industrialisation. It refers to the measures which the government adopts in connection with the establishment, working and management of industries. It also includes the tax and tariff policy, the labour policy, attitude regarding foreign capital and similar matters.

Apart from achieving industrialisation the country might as well have other objectives in view which could be laid down in the industrial policy. For instance, it might desire that the fruits of industrialisation are evenly spreaded over the whole economy, that inter-regional imbalances in industrialisation are reduced to the minimum possible level, that industrialisation does not lead to the concentration of wealth in the hands of a few people -- that is, it benefits the middle and small entrepreneurs more than big ones only.

It may be said that in industrial policy there may be a tendency to put more emphasis on creating an egalitarian society - doing away with regional imbalances, benefiting the common man, placing restrictions on the growth

of large business -- than promoting rapid industrialisation. It is equally possible that industrial policy may try to strike a balance between promoting egalitarianism on the one hand and promoting industrial growth on the other. It would, of course, be a difficult job to strike such a balance and much would depend upon the skills used in framing as well as executing the policy.

The most important policy of the British Government was 'laissez-faire', which hindered the industrial development of India. British rule in India was conspicuous by its lack of any policy in respect of industries and their development. In fact,it was the subject of comment of various commissions and enquiries instituted for other purposes such as the Famine Commission of 1880, all of which emphasised the need for setting up modern industries. The solitary exception to the apathetic attitude of Government was in the development of Railways and the tea industry, where some positive steps for encouragement were taken. It may be said that any government in this regard was guided largely by the interests of British industries. The few industries that struck root in the country in those early days were all due to foreign capital and enterprise without any assistance from the government. The first cotton or jute mill or engineering workshop owed its existence to the efforts of British businessmen who inspired their Indian counterparts to join hands at a later stage or to make independent efforts. The general British attitude of apathy or even of hostility towards Indian industry except as a subservient partner is illustrated by the imposition of cotton excise duties to please Lancashire interests towards the close of the last century and by the

lack of any response whatsoever in London's money market for financing the first major enterprise in the country by Tata at the begining of this country. Even the last effort could ultimately succeed because of the timely alliance of economic discontents due to poverty of the masses and lack of industrial outlets to educated middle class youths with the simmering political discontent getting an immense boost at that time through the agitation against the proposed partition of Bengal -- an alliance which was symbolised by the institution of the Indian Industrial Conference in 1905 in association with the Indian National Congress.

It is important to note that the first upsurge of the Swadeshi Movement occuring about this time and gathering momentum by subsequent events gave an impetus to industrialisation. There was an indication of a change in Government's attitude in the establishment of a separate Department of Industry and Commerce of the Government of Indian in 1905. Two provincial governments in U.P. and Madras also adopted a policy of active co-operation and granting loans. The First World War, in fact hastened the process despite an unsympathetic attitude of government so that some industries like cotton and jute manufacturing which enjoyed extraordinary natural advantages got firmly established and production of a few minor engineering items got started .

Although in 1916, then Indian Industrial Commission was appointed for conducting a comprehensive survey of Indian resources and industrial

potentialities, the government made no attempt to formulate a positive, well co-ordinated industrial policy for India. The Report of the Commission (1918) stressed the importance of active government assistance in furthering growth of Indian industries. In accordance with its recommendations government established separate Department of Industries in the provinces and passed State Aid to Industries Acts for advancing long-term loans to small scale industries. Meanwhile, the setting up of a Munitions Board for buying army requirements in India as far as practicable also gave stimulus to growth of industries, specially those catering to the military. While this was subsequently merged with the Department of Industry and Commerce, the Government established the Indian Stores Department in 1922 for purchase of goods (from Indian manufacturers) required by different departments of Governments. The appointment of a Fiscal commission to examine the question of the proper tariff policy was also in the same helping mood.

The Report of the Industrial Commission was a sort of definitive statement of industrial policy of state intervention--as distinguished from laissez-faire which came as a culmination after its formative period since 1900. It is For third reason it has been described by some as the new Industrial policy 1900-25. Subsequently, Lord Hardinge, the then Viceroy in his despatch of November 1915 pointed out to the Government the need to pursue a more definite and self-conscious policy towards industrial expansion[1]. The British officials in Indian Government were able to identify five leading constraints on the economic development of India, namely,

ignorance of Indian entrepreneurs regarding the full potentialities of modern Western Technology and the difficulties faced by them in adapting these to Indian conditions; shortage of technically trained personnel to man the factories, and the consequent inefficiency of Indian labour even though cheap; shyness of Indian capital in new ventures leading to preference for traditional investments in trade land or money lending; limited market for manufactured goods, particularly producers goods due to low purchasing power and competition from imports; no easily available source of power. It was possible to solve these problems through state intervention. Thus Government of India could provide information or rather commercial intelligence to prospective entrepreneurs, arrange for training of technical manpower, supply funds through state aided and supervised industrial banks, increase the market potentialities through protection and develop hydro-electric power as a public utility along with irrigation.

It may be said that this is not place to go back into the economic history of this policy as to the way it was implemented by arranging 'commercial intelligence', starting industry departments in states assisting training, initiating state protection of selected industries, etc. The new industrial policy did not however succeed because it did not take root either among the Indian bureaucrats or the entrepreneurs. It is argued that the main reason was that 'the free market' model was never completely given up. There was ambivalence in the provinces as also in matters like large Vs. small scale industry. Many members of the government felt that industrialisation would

make it more difficult, not less for their successors to govern India. Thus the new industrial policy was in some respects defectively formulated and poorly implemented. Indian business class was not necessarily incapable of managing industries as is many times argued. Not is it correct to presume that enterprise was automatically forthcoming whenever the need had arisen. At least during this period the Indian business classes relationship with the state left, unlike their Japanese compeers, so much scope for improvement. They were not able to build up permanent alliances with Indian civilians through systematic douceurs or to bring continuously effective political pressure to bear upon them. Few countries have ever industrialised in which entrepreneurs have been unable to corrupt the state, exploiting tax payers and consumers far beyond the limits set by popular tolerance or public policy statements and the need to uphold formal standards of integrity in public life. Whether covert or overt, spasmodic or institutionalised so symbiotic a relationship ensures that the state responds flexibly to industrialists felt needs. It was perhaps this element that was (then) missing from the government's new industrial policy : its presence that explains how India's economy continues to function, despite twenty years of post independence planning .

The Government would have to use certain instruments for achieving the objectives laid down in the industrial policy. These instruments, therefore, form an integral part of the policy. For instance, licensing is one of the common instruments employed to achieve the ends of the industrial policy for it is thought to help a balanced regional development of industries.

However, such a balanced regional development would be difficult to have unless basic facilities in backward areas (which might call for heavy investment) received appropriate attention. There might as well be bottlenecks manufactured. Any of these factors could act as a serious deterrent for a balanced regional development. The licensing policy might therefore not only fail to promote regional industrialisation, it might as well slow down the growth of the existing industrial centres (in the case where the authorities are determined to use such a policy rigidly).

It may be pointed out that If the economy already has a cadre of powerful industrialists at the time the industrial policy is put into operation, it is likely that they would use it to further the growth of their industrial empires. Enjoying access to authorities, they would use the policy as an instrument for extracting maximum advantages (either in the shape of obtaining licenses for the setting up of new units or for the expansion of existing ones). Even in those industries, which are exclusively reserved for development by small and medium industrialists, it is quite likely that big industrialists may try to get into them through manipulating licenses in the names of their relatives and even friends and thereby exercise (indirect) control over these industries. It is, therefore, likely that the licensing policy instead of helping the growth of small and medium entrepreneurs actually encourages the growth of big industries in the society.

The conclusion that follows from the above discussion is that

industrial policy is likely to be more successful in an atmosphere where :

(i) entrepreneurs are well educated, well informed and have a free access to authorities;

(ii) authorities are enlightened and not subjected to the influence of certain pressure groups; and

(iii) the economy has a fairly developed infra-structural base.

It does not of course, mean that developing economics, which are very likely to be deficient in all the above three factors, should not at all formulate any industrial policy of their own. In fact, the only way for them to break the past inertia is to adopt a positive industrial policy. The above, therefore amounts to saying that the success or failure of industrial policy would depend upon how the policy is framed, what incentives it contains for the entrepreneurs, and, above all, how the infra-structural base of the economy is tackled.

It is seen that during the period (1914-1938) the Government became more involved in the industrial development of the country. The World War I and the growth of economic nationalism both resulted in a change of economic outlook. The Government felt the pinch of scarcity in respect of various articles particularly of strategic importance. There was an urge in every quarter to over-haul the industrial policy. Certain measure of autonomy to the provincial governments in relation to industrial development was introduced by the

Reform Act of 1919. The Central Government created the Central Department of Industries in February 1921. On the advice of the Indian Tariff Board which was set up in July 1923, assistance was given by the Central Government in the form of protective tariffs, bounties or subsidies to steel, railway wagon and under frames, wire and wire nails, bolts and nuts, paper-printers ink, plywood, safety matches, transmission belting and other manufacturing industries.

The close up of the war and a new lease of wave in the independence movement helped adoption of a policy of discriminating protection (1922) which quickened the beginning of a number of industries like paper, sugar, cement, matches, glass, ~~soap etc~~, soap etc. during the twenties, though not necessarily all with Indian enterprise only. The most important policy during this period was the policy of protection. It was after the old laissez-faire policy was given up and new policy of discriminating protection was adopted, that the industrial progress became marked. Protection was granted only to those industries which had a reasonable chance of establishing themselves in the country. The Government really began by now to recognize its responsibility in the matter of industrial development and adopted a vigorous policy which was lacking in the previous State activities.

It must be said that the adoption of a progressive fiscal policy combined with a more sympathetic attitude towards industrial development of indigenous resources, particularly under political pressure generated after the civil disobedience movement speeded up the growth of many industries.

Between 1922 and 1939, cotton piece goods production in the country increased 2 times, steel ignots by 8 times, paper 2 times and sugar so much that (in 4 years) between 1932 and 1936 the entire requirements of the country came to be met. In cement 95% of own demand were met and large increases were recorded in the production of matches, glass, soap, vanaspati and several engineering goods. Manufacture of electrical equipment and goods got a start also during this period.

It was the World War II that gave a tremendous boost to the growth of industries in India. This was because the Second was a more total and widespread War that the First, and the cut-off in the supply of goods was more complete resulting in the need for any source of supply of essential goods, for the war. Import of large scale equipment for new capacity was out of question. The existing capacities of India industries had to be fully mobilise and utilised to the maximum extent. The major impact of the war was felt in many items of manufacture in the medium and small-scale sector like light engineering, pharmaceuticals, drugs, medicines, cutlery, etc. Even then several new lines on manufacture were started on a modest scale, such as ferro-alloys, non-ferrous metal like aluminium, diesel engines, pumps, bi-cycles and sewing machines, heavy chemicals like soda ash, caustic soda, chlorine and superphosphate, some machine tools and simple machinery. In the immediate years following the war, there was new investment activity in many new fields like rayon, automobile, etc., and expansion of capacities in fertilizer, cement, glass etc. Inflationary and scarcity conditions providing

the motive force, there was however no time for entrepreneurs to look into other aspects of industrialisation such as location, scale of operation, or renovation and modernisation.

It was during the World War II, the Government undertook the task of expanding certain lines of production urgently required for the prosecution of the war. Assurance was also given that the industries set up during the war would receive due protection. But it was out of question to expect the Government itself to initiate any scheme of rapid industrialisation of the country. The Government neither felt any need for an industrial policy nor took any step in this regard.

It should be said that though the World War II and its impact on the Indian economy offered new avenues and opportunities of improving the economic organisation of the country. The Central Government felt it necessary to liberalize its industrial policy and showed enhanced interest in industries due to strategic dangers created by the War. The defence and strategic establishments were started, to meet war emergencies and the existing ordinance factories were expanded and reconstructed. In 1940 the Hindustan Aircrafts Ltd. Bangalore was established. During the same year, the Board of Industrial and Scientific Research was set up to expand the facilities for technical education. In the year 1943 company managed railways were nationalised.

With the close of the War in 1945, the Government of India

announced its industrial policy in April, 1945.[7] It declared that a vigorous and sustained effort is necessary in which the state no less than private industry take part and that Government have no decide to take positive steps to encourage and promote the rapid industrialisation of the country, to the fullest possible extent.[2] A list of basic industries of national importance was appended to the statement which might be nationalized if adequate private capital was not forthcoming for the development of these industries.[3] As regards Government will take part either by making loans or by subscribing a share of the capital in industrial undertakings which are ..... considered to be of importance to the country's development.[4] The policy statement was simple and clear, but in view of the political changes which took place during 1946 and 1947, it went unnoticed and could not be implemented. In October 1946, the Advisory Planning Board was appointed, with Mr. K. C. Neogy as Chairman -- (i) to review the planning that had already been done by Government, the work of the National Planning Committee, and other plans and proposals for planning; (ii) to make recommendations for the co-ordination and improvement of planning; (iii) to make recommendations as regards objectives and priorities; and (iv) to make recommendations regarding the future machinery of planning. The board submitted its report in February, 1947. It reported that certain degree of regionalization i.e. a dispersal of industrial and other economic activity was necessary so that, so far as physical conditions permitted, each district region of the country might develop a balanced economy. While appreciating the work done by the Panels set up by the Planning and Development Department, the Board pointed out that

the composition of the Panels was over - weighted with industrial and business interests. Hence it is necessary that in dealing with the recommendations of the Panels special care was taken to see that the interests of consumers and the country at large were properly safeguarded. The Report recommended, inter alia, the establishment of a whole-time non-political Planning Commission assisted by the Scientific Statistical Office and a Consultative Body representing the Provinces and the States, agriculture and industry, and a priorities Board for allocation of resources in short supply.

It was in the post-independence period, the need for a well thought out industrial policy was keenly felt. It was naturally hoped that the state would embark upon a policy of actively promoting the much needed industrialisation in the country. The Government undertook the responsibility of industrialising the country speedily to make up for the gaps of the past. It necessitated the active support of and participation by the Government . We adopted the policy of 'mixed economy' in which the government assumes the role of an active agent of industrialisation. The need for a policy covering the various aspects and facilitating fast industrialisation was thus keenly felt consequently, it adopted a number of measures which taken together, make our industrial policy. With the passage of time and the emergence of new problems and obligations there has been as intensification and expansion of this policy.

The main object of an industrial policy should be to bring about a balanced and as rapid a development of the country's industrial resources as

possible. This cannot be achieved if things are left entirely in the hands of private enterprise because the paucity of capital, the shortage of industrial and capital goods. The lack of technical skill and the desire to have quick and sure returns came in the way of better and fuller exploitation of the country's resources. For that very reasons the consumer goods industries had so far received a major emphasis as against the development of basic and capital goods industries. The regulation and control of private enterprise as well as industrial units in the ownership and management of the state is necessary. It has long been accepted that the state should exercise such a control. But at the same time, it is necessary to give help and encouragement to private enterprise, to specify the scope of state enterprise to prevent undue harassment of private enterprise and the exploitation of one interest by another. The industrial policy of Government of India does not satisfy these tests and is not likely to lead to a proper development of India's industrial potential. It is a negative policy which emphasises what the state would not allow so far as private enterprise is concerned rather than what the state would do to help it. It is unrealistic as it ignores the existing organisation and structure of private enterprise in India and imposes on it institutions of doubtful utility, which might hinder rather than help the industrial development of the country.

After independence in August 1947, the national Government came into power. In the first few months the government was engaged in the immediate problems arising out of the partition of the country. Industrial crisis was developing in the country owing to the unsatisfactory relations

between the management and labour, the shortage of raw materials, the difficulty in obtaining the capital goods and the paucity of technical personnel. In December 1947, the Industries Conference was called which noted an all round decline in the productive capacity. The investing public at that time had no clear-cut idea about the industrial policy of the new Government. The conflicting statements of various ministers and leaders had created a confusion in the minds of investors and industrialists. Virtually there was a stagnation in the investment market. The Industries Conference emphasised that Government should have a definite plan for the demarcation of the role of the private and the public enterprise. The Conference also adopted a Resolution in favour of an Industrial truce between labour and capital. The Government accepted the Resolution on the problem of labour versus capital passed by it. The Resolution stated that the system of remunerating the capital and labour must be so devised that both would share the product of common effort without involving exploitation of consumers and primary producers. The main idea of holding this Conference was to chalk out a definite industrial policy and to put an end to the existing suspense and industrial unrest.

The atmosphere of goodwill and harmony that was brought by the Industries Conference proved to be short-lived, because in the meanwhile, the report of the Economic Programme Committee of the All India Congress Committee was published. This suggested that all new concerns in public utilities, defence and key industries should be started under public ownership. Further, it recommended the abolition of the managing agency system, the

measures for the limitation of profits, and the division of the surplus profits between the workers and the shareholders. There was a strong bias towards nationalisation and equal distribution of income. Consequently panic and uncertainty was created in the minds of the industrialists. Under these condition, it became essential for the Government to issue a statement giving the objectives and allocation of spheres of private and public sectors, in order to remove these apprehensions. Further, after the achievements of Independence, two schools of thought as to the policy of industrial development had come into prominence. On the one hand, there were the Gandhiates who were afraid that India might suffer the social evils which attended the Industrial Revolution in England. They, therefore, pinned their faith to the expansion of cottage industries. On the other hand, there were the Modernists who recognised that a country without highly developed large-scale industries could not count in the modern world. Some of those who thought in terms of large-scale industry over simplified the problem. It seemed to them mainly a matter of replacing British by Indian industrialists. There were some prominent Parliamentarians who looked for the solution in the utilisation of the sterling Balances for compulsory purchase of British interests in India. However, practical difficulties soon removed the belief in any such facile solution and the Government realised the difficulties attendant on an announcement of the industrial policy.

It is seem that there are two special features of industrial development up to Independence and the beginning of plans:

In the first place, the major emphasis has been on consumer goods industries such as cotton textiles, sugar, soap, matches, etc., the output of which was generally sufficient to meet the existing low level of requirements for these goods. The available capacity in capital and intermediate goods was in general inadequate to meet current requirements; this was true for iron and steel, non-ferrous metals, heavy chemicals, fertilizers, petroleum products, plant and machinery required for various industries. One main object of planning for industrial growth was to make good these deficiencies and gaps.

In the second place, Industrial Development in India before the advent of the Planning period was took place largely on the initiative of the private sector. According to one estimate, nearly 93 percent of the total tangible assets of industry grew up in the private sector. Another important objective of planning under a mixed economy was gradually to rectify this extremely skewed distribution not by elimination of private agencies or by nationalisation, but through a progressive widening of the public sector and a re-orientation of the private sector activities to the needs of a planned economy.

The adoption of a policy of planned development of the economy with the coming of Independence therefore required a clear statement of policy in the sphere of industry. This was precisely done in the Industrial Policy Resolution of 6th April 1948.

NOTES AND REFERENCES;

1. Sinha, R. K. - Economics of Public Enterprises, New Delhi, South Asian Publishers, 1983, p. 21.

2. Ibid., p. 23.

3. This included aircraft, automobiles and tractors, chemicals and dyes, iron and steel, prime movers, transport vehicles, electrical machinery, machine tools, electro-chemical and non-ferrous metal industries. Ibid., p. 23.

4. Government of India, Statement of Government's Industrial Policy 1945, New Delhi, Government of India Press, p, 3.

CHAPTER-2

2:1- OBJECTIVES OF THE STUDY

There is no denying the fact that industrial development is the key factor for rapid economic development of any country. It is more in the case of developing economics since it would help combating many economic evils which they have been facing. Rapid industrialisation results in increased production of both consumer and capital goods and rise in the levels of living. The process of economic development through industrialisation involves the provision of new methods of production, institutional arrangements to encourage enterprise and investment technical and managerial skills. And above all, it requires the development of economic infrastructure. All these pre-requisites of industrialisation require huge amounts of social investment which may be beyond the capacity of the private sector. Moreover, social investment is characterised by long gestation period which usually keeps away the private sector. Such being the case, it is inevitable for the government to play an active role in the industrialisation of the country and , thus, ensures a speedy growth of the economy. Some measures like the judicial expansion of monetary credit, creation of institutional framework to encourage and promote industrial development, efficient execution of financial policies and credit assistance to small-scale industries are vital for providing general economic framework conducive to industrialisation. Further, Government monopoly of heavy, basic and strategic industries has been

necessitated to achieve the targeted pace of economic development. So it is necessary for us to study the Industrial Policy of the Government of India.

Study seeks to find answer to the following research questions:

1. To analyse the Industrial Policy Resolutions of India (from 1948 to 1990).

2. To make a comparative analysis of the Industrial Policy Resolutions.

3. To find out the impact of Industrial Policy Resolutions of the Indian Polity.

4. How far the Industrial policy Resolutions have been implemented?

5. What are the lacunas in the Industrial Policy Resolutions?

6. How these lacunas can be plugged?

2:2 - RESEARCH DESIGN

The present work is based on both primary and secondary sources of data. The primary data have been collected from different sources like documentary books, journal, reports etc. The documentary books, journals etc. throw sufficient light not only on the theoretical aspect of the problem, but also on the empirical evidence. Secondary sources of data have been collected from many official data published by the Government as they are more reliable than those published by private organisations. The secondary sources of data have been collected from different related secondary books, official and unofficial reports, newspapers, booklets etc.

2:3 - DATA COLLECTION AND ANALYSIS

Data for the present study have been collected from both primary and secondary sources.

Primary sources of data have been collected from government documents and the secondary sources of data have been collected from books and journals.

Data for the present study have been analysed manually and with the help of a desk calculator.

2:4 - JUSTIFICATION OF THE STUDY

Industrial development is a key factor for rapid economic development of any country. It is more true in the case of developing economics since it would help combating many evils which they have been facing. Rapid industrialisation results in increased production of both consumer and capital goods and rise in the levels of living. The process of economic development through industrialisation involves the provision of new methods of production, institutional arrangement to encourage enterprise skills. And , above all, it requires the development of economic infra-structure. All these pre-requisites of industrialisation require huge amount of social investment which may be beyond the capacity of the private sector. Moreover, social investment is characterised by long gestation period which usually keeps away the private sector. Such being the case, it is inevitable for the Government to play an active role in the industrialisation of the country and thus ensures a speedy growth of the economy. Some measures like the judicial expansion of monetary credit, creation of institutional frame to encourage and promote industrial development, efficient execution of financial policies and credit assistance to small scale industries are vital for providing general economic framework conducive to industrialisation. Further, Government monopoly of heavy, basic and strategic industries has been necessitated to achieve the targeted pace of economic development.

The growth of industrial output during the period from 1967 to

1977 except for the year 1976 has been no more than 3 to 4 percent per annum of an average. The growth of per capita national income during the last 10 years has been about 1.5 percent per annum and is clearly inadequate to meet the needs of a developing economy. Unemployment has increased, rural-urban disparities have widened and the rate of real investment has stagnated. The incidence of industrial sickness has become wide-spread and some of the major industries are worst affected.

Apart from, policy making is a function which no government can escape, whether it is democratic, autocratic or monarchical. Policy decisions are necessary because the socio-cultural needs and environment of society keep on changing, ideologies change, goals and objectives change, and with it a respective change occurs in programmes and policies. Policy is, thus, dynamic and subject to a continuous process. It is subject to the influence of a number of factors like constitutional provisions and limitations; legislative laws; prevailing social values, norms, mores, customs, traditions and conventions; influence of public opinion, pressure groups and international law; concurrence of other agencies etc. Lastly , policy making is a co-operative endeavour involving the efforts of many agencies, e. g., the legislature, the executive, the judiciary, the chief executive, various levels of the hierarchy, political parties, pressure groups etc.

The success of a policy depends upon three factors i.e. administrative, organisational and public opinion. A policy should be so formulated as to cover all conditions that can be reasonably anticipated;

should be based on facts and sound judgements; should be definite, positive, clear and easily understood by everyone is the organisational; should be flexible as well as gave a high degree of permanency; should be compatible with public interest, and conform to economic principles, statutes, regulations etc; should be practicable and should be a general statement of established rules to be followed in recurring situations rather than elaborate description of procedures.

It may be said that, in industrial policy there may be a tendency to put more emphasis on creating an egalitarian society doing away with regional imbalances, benefiting the common man, placing restrictions on the growth of large business - than promoting rapid industrialisation. It is equally possible that industrial policy may try to strike a balance between promoting egalitarianism on the one hand and promoting industrial growth on the other. It would, of course, be a difficult job to strike such a balance and much would depend upon the skills used in framing as well as executing the policy.

In the light of the above discussion, it is clear that there is a justification regarding studying the governmental policy concerned with the industrial policy of India as economic development of a country depends on the proper industrial policy of that very country.

CHAPTER - 3

3:1 REVIEW OF LITERATURE

The review of literature on different aspects of Industrial policy Resolutions may be classified under the following broad categories :

Sinha, is his study, [1] focussed attention on the concept of joint sector. According to him, the concept of joint sector is nothing new to our economic thinking. He deals with the ditto of 1948, 1956,1977 and 1980 Industrial Policy Resolutions. The book divided into thirteen chapters.

Jhingan, is his illuminating article, [2] concentrates on the 1948,1956,1973,1977 and 1980 Industrial Policy Resolutions. He also deals with the policy with critical appraisal.

Kuchhal, in his brilliant study, [3] deals with the 1946 and 1956 Industrial Policy Resolutions. He also analysed the drawbacks of the resolutions. He further concentrates on the idea of mixed economy, the Central Advisory Council, the Development Councils and the licensing Committee.

Mahajan, is his work, [4] concentrates on the planning, development and economic policy in India. He also deals with the ditto of Industrial policy, on February 1973.

Jha, is his articles, [5] focussed attention on the 1956 Industrial Policy Resolution. He also deals with the idea of capitalism with reference to India's second five year plan.

Jain, is his brilliant study, [6] concentrates on the Industries Act, 1951; The Industries (Development and Regulation) Amendment Act, 1953; and The Policy of Nationalisation. He also deals with the Industrial Policy of 1948 and 1956.

Jangir, is his famous work, [7] deals with the meaning and need of industrial policy, the Industrial Policy Resolutions of 1948 and 1956. He also adds critical appraisal of the two Resolutions. Further an attempt has been made to compare 1948 Industrial policy Resolution with that of 1956 Industrial Policy Resolution.

Deb, in his study, [8] focussed attention on the public policies with special reference to the Industrial Policy Resolutions since Independence. He also adds Industrial Policy and the Licensing System in fifth chapter in his books.

Kapoor, in his brilliant work, [9] focussed attention on the nature, principles, scope, role, deficiencies and requirements of administration in its political, social, economic, historical, psychological and ideological environment with special reference to India. He divided the book into nine chapters. The first deals with the meaning, nature and scope of public Administration, especially, in the context of colonialism, industrialisation and

development. The sixth is related to public policy, its meaning, factors influencing its formulation and its evaluation.

Bhattacharyya, is his brilliant study, [10] deals with the basic concepts of economics like economic growth, planning, democratic planning etc; social-economic objectives of economics like social justice, public sector, private sector, planning and administration etc. development of economics like self-generating economy, commercial policy etc; a decade of planning; and the third plan. He divided the book into five chapters. According to him, planning, in its wider implications, is essentially a generalised problem.

Bhattacharyya, is his work, [11] concentrates on the nature and necessity of economic planning, some economic problems of planning, techniques of economic planning in India, and economic progress in India under the plans period from first five year plan to fifth Five year plan. He also add the new 20-point Programme for economic and social reform. He divided the book into thirteen chapters.

Bhattacharyya, is his study, [12] deals with the nature of Indian economy, planning technique in India, the first five year plan - its nature and problems, the second five year plan-its nature and problems, third five year plan - its nature and problems, the fourth five year plan - its nature and problems, the sixth five year plan - its nature and problems and the seventh five year plan - its nature and problems. The book gives the essentials of the subject matter in a precise manner to the extent possible.

Batra and Kaur, is their famous work [13] focussed attention on the structural adjustment policy (some basic issues), structural adjustment in trade policy, co-operation in trade blocks, and contemporary issues like industrial sickness and privatisation, some challenges, privatisation of public sector undertakiings, role of multinational in India, and new dimensions of Industrial sickness in the changing economic scenario. They divided the book into four sections.

Bhagwati and Desai, in their famous work, [14] concentrates on the state of industrialisation at Independence, economic growth during 1951-66, industrial performance and import substitution during 1951-66, planning strategy and policy instruments, public and private sectors, industrial strategy and target setting, industrial licensing, foreign trade policy instruments i.e. import and export policies, and experiments with economic liberalism. They divided their books into nine parts with twenty-three chapters.

Bhagwati and Srinivasan, in their brilliant work, [15] focussed attention on the Indian economy since 1951 (phase 1950-70), export policy and performance, 1951-66; liberalisation and export performance; export policy and economic performance.

Behari, is his study, [16] concentrates on the technological change and economic development, structural changes in Indian Industries, urbanisation in India, new industrial responsibilities, small industries and backward regions, technological transformation in Communist China and

the technology in the fifth five year plan. He also deals with the problems, possibilities and perspectives of rural industrialisation in India.

Kumar, in his brilliant work, [17] concentrates on economic planning; history of planning in India; first, second, third five year plans; and economic policy under the plans.

Bhattacharyya, is his work, [18] focussed attention on the economic problems (like unemployment), the idea of mixed economy, Indian planning, plan experiences, planning for regional development, fourth five year plan and the new economic policy. He divided the book into four parts.

Bagchi, in his brilliant study, [19] concentrates on the private sector and industrial planning in India, planning and the political process in India, problems of effecting demand, and contradictions of planning in India. The book divided into seven chapters.

Brahmananda, in his famous work, [20] deals with the Indian development with stability, the public sector in Indian socialism, the genesis of welfare economics, the problem of underutilisation of productive capacity in Indian industry, economic growth and problems of inequalities of income.

Bose, in his brilliant study, [21] deals with the state and social welfare, community development programme, efficiency of labour in India, ~~true~~ trends in labour policy, industrial finance, foreign trade and fiscal policy . The book divided into eleven chapters.

Bhuleshkar, in his brilliant work, [22] focussed attention on the Indian economic thought, agriculture and economic development, industry and economic development, monetary policy and economic development, planning and socialism. The book divided into six parts.

Banerjee, in his brilliant study, [23] focussed attention on the first, second, third, fourth five year plans, annual plans, the 20-point programme, fifth plan, overview of plans, planning under the Janata Government, sixth and seventh five year plans and poverty alleviation.

The book deals with the above and other related issues comprehensively. It analyses the different plans in chronological order, logically and objectively. The book divided into twelve chapters.

Bhattacharyya, in his brilliant study, [24] concentrates on the role of technological progress in Indian economic development in India, the role of education in economic development in India, technological progress and import substitution in India. The book divided into four chapter.

Ahluwalia, in his brilliant study, [25] concentrates on planning policies and industrial overview, trends in productivity and growth, an international comparison of trends in productivity, major features of planning for industrialization, self-reliance, export pessimism and import substitution. The book divided into seven chapters.

Iyengar, in his study, [26] focussed attention on the industrial policy and investment, financing of industries, third plan programmes and working of private and public sectors. The book divided into sixteen sections.

Jalan, in his brilliant study, [27] deals with the policy framework for self-reliance, trade and industrialisation policies, concentration and economic equality, performance and allocation. The book divided into eleven chapters.

Joshi, in his brilliant study, [28] concentrates on economic growth and development, public and private sectors industrial structure, industrial licensing, technological cooperation, issues of external trade and aid. This book discusses certain critical issues relating to economic problems of developing countries, with particular reference to India.

Jha, in his brilliant work, [29] concentrates on planning and performance, policies and priorities, the role of technology and priorities of the seventh plan. The book divided into nine chapters.

Singh, in his brilliant work, [30] focussed attention on the economic and social record, regional growth and disparities, plan policies, industrial objectives and performance, policy and administration. The book divided into four parts with fifteen chapters.

Sinha, in his brilliant study, [31] focussed attention on the characteristics of economic development, economic planning and social choice, industry in a growing economy, India's foreign trade, economic

developments and imports, the role of monetary policy in economic development, economic development and political stability in India. The book divided into six parts with twenty-four chapters.

Sinha, in his brilliant study, [32] concentrates on the first, second, third five year plan, the plan in brief, monetory policy, economic trends, open market and selective credit controls of the above mentioned plans. The book divided into five chapters.

Shroff, in his study, [33] focussed attention on the free enterprise in India, planning in India, Indian economic development, industrial finance and investment in India, foreign exchange crisis and some remedies, an economic review (up to 1957), defence and development with stability. The book divided into three parts with sixteen chapters.

Shenoy, in his brilliant work, [34] concentrates on the structure of Indian economy, Industrial Policy, policy discussions, industrial controls, the five year plans, and the impact of planning. The book divided into ten chapters.

Dr. Shenol, in his brilliant study,[35] focussed attention on the development and environment, development planning, industrial policy, and development, and economic modelling for policy decisions. This volume seeks to present a retrospective of I.S.E.C.'s research contributions over the last twenty-five years of its experience. This book divided into three parts with fourteen chapters.

Shenoy, in his brilliant study,[36] focussed attention on the Indian economic scene (a review), plan achievements in India, industrial expansion, third plan finance and the foreign aid. This book divided into five chapters.

Dholakia, in his brilliant study,[37] concentrates on regional disparities, reduction of regional disparity as a national objective, measure of economic development, industrial structure of employment and regional aspects of economic growth in India. This book divided into seven chapters.

Sharma, in his study,[38] focussed attention on the factors in the localization of cotton textile industry, possible redistribution of cotton industry in the cotton belts, localization of the jute industry in the Hoogly Riverain, the prospects of rural industrialization, trends in industrial location and planning. This book divided into sixteen chapters.

Shah, in his brilliant study,[39] concentrates on the problem of industrialization of India, planning of coal industry in India, and the problems of nationalities. This book divided into twelve chapters.

Tripathi and Tewari, in their study,[40] focussed attention on the regional development and planning in India, regional disparities in India, regional disparities in the levels of socio-economic development in India, regional disparities in levels of industrial development in Madhya pradesh, spatial planning for socio-economic development at micro level, and poverty and unemployment in a backward region.

Tewari and sinha, in their study,[41] focussed attention on the rural development in retrospect; industry, business and service in IRD programmes; achievements of ISB targets; project planing and implementation.

Thakur, in his brilliant work,[42] concentrates on the review of planning, objects of planning, development of heavy industries, strategy of agricultural development adopted in the fourth and fifth plans, causes of poverty and policy for maximisation of growth rate in future, industrial development and role of foreign collaboration in India's industrial development.

Swamy, in his brilliant study,[43] focussed attention on the phase of self-reliance, 1950-65; limits to industrial growth and World Bank pressure; phase of systematic crisis, 1966-74; slowdown of industrial growth; crisis of mixed economy; liberal ideology, economic revival; phase of industrial globalization, 1974-90; New economic policy; changes in the economy during 1980s; globalization and effects of globalization. This book divided into three parts.

Subrahmanyam, in his brilliant study,[44] concentrates on defence and development; political development and national security; social development; and technological development. This book divided into eight chapters.

Streeten and Lipton, in their study,[45] focussed attention on the

targets and investment in industry, population control, foreign trade, planning and defence.

Sreekantaradhya, in his brilliant study,[46] focussed attention on the role of public debt, deficit financing, growth of internal public debt, first, second, third five year plans, states role in planned economic development, growth of national income and saving in Indian economy. This book divided into ten chapters.

Srinivasan, in his brilliant study,[47] focussed attention on the determinants of financial structure, the institutional characteristics of financial structure, financial market and development, financial development in India since 1966. This book is mainly concerned with an analysis of the financial structure of a developing economy. The book divided into seven chapters.

Srivastava, in his brilliant study,[48] concentrates on the agricultural and industrial development of the fourth five year plan. The book divided into six chapters.

Sovani, in his brilliant study,[49] focussed attention on the formation of government policy, development programme of the central government, objectives of industrial developments, major post-war economic trends and influence of international factors. This book divided into six chapters.

Tripathy, in his brilliant study,[50] concentrates on the theory of federal finance in a developing economy, fiscal policy in a federal structure, problems

of federal finance in India, the organisational aspects of planning in India, fiscal impact of federalism in India and interstate disparities in the rate of economic development. This book divided into nine chapters.

Trivedi, in his brilliant study,[51] focussed attention on the important features of the capitalist economy, economic planning, economic planning in India: objectives and strategy, industrial policy since independence, monopolistic and respective trade practices, regulation of the foreign investment and collaboration agreements, government incentives for industrial growth, objectives of the price policy in India, Industrial Policy Resolution of 1948,1956,1977, and monetary fiscal policy. This book divided into eight parts.

Tewari, in his brilliant study,(52) focussed attention on the central place theory, the growth pole theory, population, settlement and land use, spatial organization and spatial planning. This book divided into nine parts.

Srivastava and Singh, in his brilliant study,[53] focussed attention on the approaches to rural development, poverty in rural India, integrated rural development strategies in India, rural development and environmental management in hill areas of India. This book divided into two parts.

Tutega and Varma, in their famous work,[54] concentrates on the objectives of planned development, approach to the third plan, targets and outlays in plan, price policy, development of industries, small scale and village industries and social welfare. This book divided into twenty-five chapters.

Uppal in his brilliant study, (55) focussed attention on the economic planning, planning in action, three decades of development experience, and sixth five year plan. This book divided into four chapters.

Vaidya, in his brilliant study,[56] concentrates on the objectives of planning in India, industrial development and industrial policy, a critique of the new industrial policy of 1956, state trading, tax policy and policies for economic revival. This book divided into seven chapters.

Verma, in his brilliant study,[57] focussed attention on the rise of protectionism in India, discriminating protection and post-war changes, new policy, new policy at work, machinery and protection, and results of protection. This book divided into eight chapters.

Vakil, in his brilliant study,[58] concentrates on the poverty problem in India, planning in India, role of agricultural economics in Indian economy and investment in the second five year plan. This book divided into four parts with twenty-one chapters.

Veit, in his brilliant study,[59] focussed attention on the policies of economic development, economic development and foreign relations, strategies for agriculture, industrial policy, evolutions of India's industrial licensing and related policies, India's economic development and India's second revolution. This book divided into four parts with twelve chapters.

Wadhva, in his brilliant study,[60] concentrates on the theoretical bases of five year plans, appraisal of five year plans, distinct development planning, poverty and economic development and industrial licencing policy, export policy and import substitution policy. This book divided into three parts.

Waqif, in his brilliant study,[61] focussed attention on the industrial co-operation in regional economic grouping among the developing countries and the lessons for SAARC, and country perspectives on industrial co-operation and perspectives on energy co-operation. This book divided into three parts with seventeen chapters.

Raheja, in his brilliant study,[62] concentrates on urban phenomena and policy formation, five year plans and urban development, and finances of the state Governments. This book divided into six chapters.

Rakshit, in his brilliant study,[63] focussed attention on the meaning and measurement of poverty, dimension of Indian poverty, the causes of Indian poverty, anti-poverty measures, and financing the anti-poverty measures. The book divided into seven chapters.

Roy and James, in his brilliant study,[64] concentrates on the historical roots of economic policy, economics of food and agriculture, fiscal finances and money supply, and problems of federal leaderships. This book divided into two parts with ten chapters.

Yugandhar and Mukherjee, in his brilliant study,[65] focussed attention on the concepts, approaches and techniques of decentralised planning, resources of decentralised planning, environment and district planning methods and techniques. This book divided into nineteen chapters.

Reddy, in his brilliant study,[66] focussed attention on the planning in India, need for multi-level plan approach, plan process in India, rolling plans and multi-level planning. This book divided into ten chapters.

Tewari and Joshi, in his brilliant study, [67] focussed attention on the economic development of the states of India, interregional pattern of industrialisation in India, urbanization and industrial growth, industrialisation of backward areas and the role of promotional measures offered by the government, issues in urbanisation and economic development. This book divided into five sections with thirty-five chapters.

Kapila, in his brilliant study,[68] focussed attention on the need for reforms, current phase of reforms, economic problems in India, the nature of global economy, India's economic reforms in the global context, economic liberalisation, banking sector reforms, and liberalisation of the Insurance industry. This book divided into fifteen chapters.

Khan, in brilliant study,[69] focussed attention on the process of economic growth, flow of international capital, India's economic development during the first five year plan, India's economic development during the second five year plan and India's economic development during the third

five year plan. The book divided into six chapters.

Iyengar in his brilliant study,[70] focussed attention on the new world plan consciousness, planning in the USSR, plan progress in China, and major Indian plan problems: salient facts and figures. This book divided into eight sections with thirty-one chapters.

Kulkarni, in his brilliant study,[71] focussed attention on the infrastructure of industrial development, industrial development through war and depression, and an appraisal of planned industrial growth. This book divided into nine chapters.

Vakil, in his brilliant study,[72] focussed attention on the review of Industrial policy since independence, role of the public and private sector, the idea of joint sector, small scale industries, self-reliance and industrial development. He specifically discussed the implication of industrial policy either socialism or state capitalism.

Tandon, in his brilliant study,[73] focussed attention on the planning controls over private sectors and the evolution of Industrial policies. He specifically analysed the 1948, 1956, 1970, and 1973 Industrial Policy statement. The book divided into eight chapters.

Roy, in his work,[74] concentrates on the environment and the logic of private investment, the record of private investment in India from 1914 - 1947, private investment in specific industries, government specific industries,

government initiative and private enterprise in Indian industrialization from 1914-47. The book divided into six chapters.

Mongia, in his brilliant study,[75] concentrates on economic planning and policy in India from 1947-1977, planning techniques in underdeveloped countries, planning and public administration, industrial policy, policy on concentration of economic power in the industrial sector and the role of public sector in India's exports. This book divided into twenty-seven chapters.

Datta, in his brilliant study,[76] concentrates on economic development under British rule, Indian economic thought before Independence, and industrialization since independence. The book divided into five chapters.

Mathur, in his brilliant study,[77] focussed attention on the large scale industries and cottage industries, state and public enterprise, the problem of industrial backwardness, industrial planning and prospects. This book divided into seven chapters.

Baig, in his brilliant study,[78] focussed attention of the economics of government regulations and controls, planning as an aid to government controls, methods and techniques of government regulations and controls, pattern of Industrial expansion under controls, and impact of institutional financing on industrial expansion. This book divided into six chapters..

Prasad, in his brilliant study,[79] focussed attention on the age of industrialization, industrial sickness, industrial relations, industrial productivity, industrial policy and growth. He specifically discusses the sixth plan strategy and targets. This book divided into eighteen chapters.

Nagpal, in his brilliant work,[80] focussed attention on the industrial growth in India, technological self-reliance for India, productivity analysis of Indian engineering industry, industrial policy and the small sector.

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CHAPTER-4

4.1 - INDUSTRIAL POLICY RESOLUTION-1948

After the attainment of India's Independence, within less than one year, the National Government on April 6, 1948, announced a comprehensive industrial policy which attempted to demarcate definite spheres for government undertakings and private owned industries and also indicated the broad lines of state regulation and control of industries.

The Industrial policy Resolution of 1948 was preceded by the statement of government's industrial policy (April 1945) which sought to give greater precision to the principle of industrial reconstruction embodied in the second report on reconstruction planning. This statement was essentially in the nature of an answer to the persistent demands from the private sector for a clear enunciation of government's policy of industrial development after the Second World War. The need for a conscious industrial development policy for India was visualized by the national leaders long before the release of formal statements. The Congress Party's National Planning Committee had, at a meeting in 1938, set the tone by explicitly declaring the need for having state-owned or controlled key industries for the pursuit of the general objective of rising income and national self-sufficiency. The Committee also

took the view that the establishment of heavy and basic industries was necessary as a strategic measure in a plan for industrialization without, however, including the development of cottage or small industries. This view of the National Planning Committee was endorsed at the subsequent meeting of the Advisory Planning Board. It is likely that the widespread support for co-ordinated industrial planning to bring about rapid increase in standards of living and fundamental changes in the economic and social structure persuaded the government's planning and Development Board to release a statement of the government's industrial policy in 1945 which largely accorded with the views of the politicians.

The industrial policy statement of 1945 made a radical departure from the laissez faire economic policy pursued by the British Raj. The statement provided an entirely new approach and a new thrust to economic policy in the country. It advocated, for example, explicit government control of 20 key industries of ownership of many heavy industries. Basic industries of national importance were to be nationalised if adequate private capital for their development was not forthcoming. The candidates specifically mentioned for this treatment included aircraft, automobiles, tractors, chemicals, dyes, iron and steel, prime movers, electric machinery, machine tools, electro-chemicals, and non-ferrous metals. The statement proposed the use of licensing and other controls to achieve a multiplicity of objectives including prevention of monopolies and regional concentrations, the setting up of a system of targets to determine the correct lines of planned development and

thus also to prevent private capital going in the direction of excessive profits. The statement also indicated that these measures were intended to secure fair wages and security for industrial workers among other objectives, elimination of excess profits and improvement of quality of goods.

There is really very little to distinguish this statement of intentions from the Industrial Policy Resolution of 1948. It is likely to have guided the actual scope of government intervention in the heyday of planning. The first Industrial Policy Resolution of 1948 was essentially modelled after Jawaharlal Nehru's thinking and the general tenor of debate in the Congress party's sub-committee which prepared an economic programme for the new government. It is also interesting to note that the industrial policy of the government preceded the establishment of the Planning Commission.

Much attention was given by the Government of India to the economic problems facing the country. The nation has now set itself to establish a social order where justice and equality of opportunity shall be secured to all the people. The immediate objective is to provide educational facilities and health services on a much wider scale, and to promote a rapid rise in the standard of living of the people by exploiting the latent resources of the country, increasing production and offering opportunities to all for employment in the service of the community. For this purpose, careful planning and integrated effort over the whole field of national activity are necessary; and the Government of India propose to establish a National

Planning Commission to formulate programmes of development and to secure their execution. The present statement, however, confines itself to government's policy in the industrial field. The Resolution further emphasised that any improvement in the economic conditions of the country postulates an increase in national wealth. A mere redistribution of existing wealth would make no essential difference to the people and would merely mean the distribution of poverty. A dynamic national policy must, therefore, be directed to a continuous increase in production by all possible means, side by side with measures to secure its equitable distribution. In the present state of the nation's economy, when the mass of the people are below the subsistence level, the emphasis should be on the expansion of production, both agricultural and industrial; and in particular on the production of capital equipment, of goods satisfying the basic needs of the people, and of commodities the export of which will increase earnings of foreign exchange.

It is important to note that the problem of state participation in industry and the conditions in which private enterprise should be allowed to operate must be judged in this context. The role which the state had to play in the economic life of the country was defined in the following words:

It is needless to note that the state must play a progressively active role in the development of industries, but ability to achieve the main objectives should determine the immediate extent of state responsibility and the limits to private enterprise. Under present conditions the mechanism and the resources

of the state may not permit it to function forthwith in industry as widely as may be desirable. The Government of India are taking steps to remedy the situation; in particular, they are considering steps to create a body of men trained in business methods and management. They feel, however, that for some time to come, the state could contribute more quickly to the increase of national wealth by expanding its present activities wherever it is already operating any by concentrating on new units of production in other fields, rather than on acquiring and running the existing units. Meanwhile, private enterprise, properly directed and regulated, has a valuable role to play.[1]

Depending on these considerations the government have decided that the manufacture of arms and ammunitions, the production and control of atomic energy, and the ownership and management of railway transport should be the exclusive monopoly of the central government. Further, in any emergency, the Government would always have the power to take over any industry vital for national defence. In the case of the following industries, the state which in this context, includes central, provincial and state governments and other public authorities like municipal corporations -- will be exclusively responsible for the establishment of new undertakings, except where, in the national interest, the state itself finds it necessary to secure the cooperation of private enterprise subject to such control and regulations as the central government may prescribe:

1. Coal (The Indian Coalfields Committee's proposals will be

generally followed);

2. Iron and steel;

3. Aircraft manufacture;

4. Shipbuilding;

5. Manufacture of telephone, telegraph and wireless apparatus, excluding receiving sets; and

6. Mineral oils.

It is important to point out that while the inherent right of the state to acquire any existing industrial undertaking will always remain, and will be exercised whenever the public interest requires it government have decided to let existing undertakings in these fields develop for a period of ten years during which they will be allowed all facilities for efficient working and reasonable expansion. At the end of this period, the whole matter will be reviewed and a decision taken in the light of circumstances obtaining at the time. It is decided that the state should acquire any unit the fundamental rights guaranteed by the constitution will be observed and compensation will be awarded on a fair and equitable bases. Management of state enterprise will, as a rule, be through the medium of public corporation under the statutory

control of the central government, who will assume such powers as may be necessary to ensure this.

It is significant that The Government of India have recently promulgated a measure for the control by the state of the generation and distribution of electric power. This industry will continue to be regulated in terms of this measure. The rest of the industrial field will normally be open to private enterprise, industrial as will as cooperative. The state will also progressively participate in this field; nor will it hesitate to intervene whenever the progress of an industry under private enterprise is satisfactory. The central government have already embarked on enterprises like larger river valley developments, which are multipurpose projects of great magnitude involving extensive generation of hydro-electric power and irrigation on a vast scale, and are calculated in a comparatively short time to change the entire face of large areas in this country. Projects like the Damodar Valley Scheme, the Kosi Reservoir, the Hirakund Dam, etc., are in a class by themselves and can stand comparison with any of the major schemes in America or elsewhere. The central government have also undertaken the production of fertilizer on a very large scale, and have in view other enterprises like the manufacture of essential drugs, and of synthetic oil coal; many provincial and state governments are also proceeding on similar lines.

It must be said that there are certain basic industries of importance, apart from those mentioned in paragraph 4, the planning and regulation of

which by the central government is necessary in the national interest. The following industries whose location must be governed by economic factors of all - India import, or which require considerable investment or a high degree of technical skill, will be the subject of central regulation and control.

1. Salt.

2. Automobiles and Tractors.

3. Prime movers.

4. Electric engineering.

5. Other heavy machinery.

6. Machine tools.

7. Heavy chemicals, fertilizers and pharmaceuticals and drugs.

8. Electro-chemicals industries.

9. Non-ferrous metals.

10. Rubber manufactures.

11. Power and industrial alcohol.

12. Cotton and woollen textiles.

13. Cement.

14. Sugar.

15. Paper and newsprint.

16. Air and sea transport.

17. Minerals, and

18. Industries related to defence.

It must be pointed out that the above list cannot obviously be of an exhaustive nature. The Government of India, while retaining the ultimate direction over this field industry, will consult the governments of the provinces and states at all stages and fully associate them in the formulation and execution of plans. Besides these government, representatives of industry and labour will also be associated with the central government in the Industrial Advisory Council and other bodies which they propose to establish, as recommended by the Industries Conference.

There is no denying the fact that cottage and small-scale industries have a very important role in the national economy, offering as they do scope for individual, village or cooperative enterprise, and means for rehabilitation of displaced persons. These industries are particularly suited for the better utilization of local resources and for the achievement of self-sufficiency in

respect of certain types of essential consumer goods like food, cloth and agricultural implements. The healthy expansion on cottage and small-scale industries depends upon a number of factors like the provision of raw materials, cheap power, technical advice, organized marketing of their produce, and, where necessary, safeguards against intensive competition by large-scale manufacture, as well as on the education of the worker in the use of the best available technique. Most of these fall in the provincial sphere and are receiving the attention of the governments of the provinces and states. The resolution of the Industries Conference has requested the central government to investigate how far and in what manner these industries can be coordinated and integrated with large-scale industries. The government of India accept this recommendation. It will examined, for example, how the textile mill industry can be made complementary to , rather than competitive with, the handloom industry, which is the country's largest and best organized cottage industry. In certain other lines of production, like agricultural implements, textile accessories, and parts of machine tools, it should be possible to produce components on a cottage industry scale and assemble these into their final production at a factory. It will also be investigated how far industries at present highly centralized could be decentralised with advantage.

It is seen that The resolution of the Industries Conference has recommended that government should establish a cottage Industries Board for the fostening of small-scale industries. The Government of India accept this recommendation and propose to create suitable machinery to implement

it. A cottage and small-scale Industries Directorate will also be set up within the Directorate General of Industries and supplies.

One of the main objectives will be to give a distinctly cooperative bias to this field of industry. During and before the last war, even a predominantly agricultural country like China showed what could be done in this respect, and her mobile industrial cooperative units were of outstanding assistance in her struggle against Japan. The present international situation is likely to lesson to a marked degree our chances of getting capital goods for large-scale industry, and the leeway must be made up by having recourse to small-size industrial cooperatives throughout the country.

It is recognised by the government, however, recognize that their objective, viz., securing the maximum increase in production, will not be realised merely by prescribing the respective sphere of the state and of private enterprise in industry. It is equally essential to ensure the fullest cooperation between labour and management and the maintenance of stable and friendly relations between them. A resolution on this subject was unanimously passed by the Industries Conference which was held in December last. Among other things resolution states.

As a solution measure the system of remuneration to capital as well as labour must be so devised that, while in the interest of the consumers and the primary producers, excessive profits should be prevented by suitable methods of taxation and otherwise, both will share the product of their common

effort, after making provision for payment of fair wages to labour, a fair return on capital employed in the industry and reasonable reserves for the maintenance and expansion of the undertaking.(2)

The Government of India accepted this resolution. They also consider that labour's share of the profits should be on a sliding scale normally varying with production. They propose, in addition to the overall regulation of industry by the state, to establish machinery for advising on fair wages, fair remuneration for capital and conditions of labour. They will also take steps to associate labour in all matters concerning industrial production.

The machinery which government propose to set up will function at different levels central, regional and unit. At the centre, there will be a Central Advisory Council which will cover the entire field of industry, and will have under it committees for each major industry. These committees may be split up into sub-committees dealing with specific questions relating to the industry, e. g., production, industrial relations, wage fixation, and distribution of profits. The regional machinery under provincial governments will be provincial advisory boards which, like the Central Advisory Council will cover the entire field of industry within the province, they will have under them provincial committees for each major industry. The provincial committees may be split up into various sub-committees dealing with specific questions relating to production, wage fixation and industrial relations. Below the provincial committees will come the works committees and the production

committees attached to each major industrial establishmeht.

The works committees and the production committees will be bipartite in character, consisting of representatives of employers and workers only, in equal numbers. All other committees will be tripartite, with representatives of government, employers and workers.

Government hope that the machinery proposed will substantially reduce the volume of industrial disputes. In the case of unresolved conflicts, government trust that management and labour will, in their own interests and in the large interests of the country agree to settle them through recognized channels of conciliation and arbitration, which will be provided by government. The Industrial Relations machinery, both at the centre and in the provinces, is being strengthened, and permanent Industrial Tribunals are being established for dealing with major disputes.

It is seen that The Government of India are also taking special steps to improve industrial housing as quickly as possible. A scheme for the construction of one million workers' houses in ten years is under contemplation and a Housing Board is being constituted for this purpose. The cost will be shared in suitable proportions between government, employers and labour, the share of labour being recovered in the form of a reasonable rent.

To get quick decisions on the various matters arising out of the

Industrial Truce Resolution, government is appointing a special officer.

The major idea in the Industrial Policy Statement was desired to control the capitalistic form of industrial organization and to introduce a form of institutional framework which was called "mixed economy". As a matter of fact, the term is not a happy one since every economy is a mixed economy. It is well - night impossible now-a-days to think exclusively in terms of state and private enterprise. The policy treated two sectors -- private and public. The former was and continued to be the major sector. But the state also made a modest entry in the field of industry. The relative importance of these sectors of economy help us in calling a system capitalistic or socialistic. In India, there was a large sector of industrial activity already under the control and management of the state, e.g., the entire railway system, the postal, telegraphic and communication services and many public utilities were being owned by Central or state Governments. Some of the State Governments were also running industrial enterprises prior to the announcement of this industrial policy. Hence, the idea of mixed economy was not a new one to India.

The Government of India agree with the views of the Industries Conference that, while it should be recognized that participation of foreign capital and enterprise, particularly as regards industrial technique and knowledge, will be of value to the rapid industrialization of the country, it is necessary that the conditions under which they may participate in Indian

industry should be careful regulated in the national interest. Suitable legislation will be introduced for this purpose. Such legislation will provide for the scrutiny and approval by the central government of every individual case of participation of foreign capital and management in industry. It will provide that as a rule the major interest in ownership and effective control, should always be in Indian hand, but power will be taken to deal with exceptional cases in a manner calculated to serve the national interest. In all cases, however, the training of suitable Indian personnel for the purpose of eventually replacing foreign experts will be insisted upon.

The major objective on foreign capital was subsequently explained by the Prime Minister in Parliament in greater detail. It was pointed out that foreign capital should conform to the general requirements of the industrial policy of the country and that so for as the existing foreign interests were concerned, no restriction, not applicable to similar Indian enterprise, would be placed on them. So far as the profits of foreign interests were concerned, they would be subject to the same regulations as those of Indian enterprise. Facilities for remittance of profits would be given, the only restriction being on the availability of foreign exchange. In case any foreign concern was compulsorily acquired, Government would provide reasonable facilities for the remittance of proceeds and compensation would be paid on a fair and equitable basis. Though the major interests in ownership and control should be in Indian hands, Government would not object to foreign capital having control over a concern for a limited period, if it was in the national interests.

It was also pointed out that there was considerable scope for British capital in India and there was no desire to injure British or other non-Indian interests. In fact, India would gladly welcome their contribution to a constructive and co-operative rule in the development of India's economic policy.(3)

The Government of India are fully alive to their direct responsibility for the development of those industries which they have found necessary to reserve exclusively for state enterprise. They are equally ready to extent their assistance to private or cooperative enterprise in the rest of the industrial field and in particular, by removing transport difficulties and by facilitating the import of essential raw materials to the maximum possible extent. The tariff policy of the government will be designed to prevent unfair foreign competition and to promote the utilization of India's resources without imposing unjustifiable burdens on the consumer. The system of taxation will be reviewed and readjusted where necessary to encourage saving and productive investment and to prevent undue concentration of wealth in a small section of the population.

The Government of India hope that this elucidation of their intentions on fundamental aspects of industrial policy will remove all misapprehensions and they are confident that a joint and intensive effort will now be made by labour, capital and the general public, which will pave the way for the rapid industrialization of the country. The salient features, then, of the 1948 Industrial Policy Resolution were : (a) the Government would concentrate

more on starting new concerns instead of taking on the old ones; (b) when ever private enterprise was working, it would be given full encouragement; (c) if any old enterprise is taken over by the Government due compensation would be paid; (d) foreign concerns working in India would be allowed to work and they would be free to send their profits abroad; (e) if the foreign concerns are taken over by the government, due compensation would be paid; (f) more foreign capitals would be invited to participate in the Indian economy; (g) taxation would be so devised as not to hamper the private enterprise; (h) there should be no concentration of wealth in the hands of a few; (i) workers would be paid fair wages and the standard of living of the people, with justice and equality of opportunity for employment for all, would be raised; (j) increase in the national wealth, instead of the redistribution of the national wealth, was emphasised.

NOTES AND REFERENCES:

1. Gupta. K. R. - Issues in Public Enterprises, Delhi, S. Chand, 1969, p. 11.

2. Sinha, R. K. - op.cit., p. 143.

3. Jha, Shiva, Chandra - Studies in the Development of Capitalism in India, Calcutta, Firma K. L. Mukhopadhyay, 1963,pp. 250-251.

4.2 - INDUSTRIAL POLICY RESOLUTION - 1956

It is seen that since the declaration of industrial policy in April 1948, several economic and political developments had occurred e.g. the enunciation of Directive Principles of State Policy, the completion of the First Five Year Plan, and acceptance by parliament in December 1954, of the socialistic pattern of society as the objective of social and economic policy. Industrial policy, too, must be governed by the principles. Hence, the state had to assume progressively a predominant and direct responsibility for setting up new industrial undertakings. All these necessitated fresh statement of the industrial policy of the state in India. On 30th April, 1956, the government announced a new Resolution on Industrial policy. Many important changes and developments had occurred since independence which forced the Government to change its industrial policy.

The Government of India set out in their Resolution dated 6th April 1948 the policy which they proposed to pursue in the industrial field. The Resolution emphasised the importance to the economy of securing a continuous increase in production and its equitable distribution, and pointed out that the state must play a progressively active role in the development of industries. It laid down that besides arms and the ammunition, atomic energy and railway transport, which would be the monopoly of the Central

Government, the state would be exclusively responsible for the establishment of new undertakings in six basic industries -- except where, in the national interest, the state itself found necessary to secure the cooperation of private enterprise though it was made clear that the state would also progressively participate in this field.

The Indian Parliament has accepted the socialist pattern of society as the objective of social and economic policy. These important developments necessitate a fresh statement of industrial policy more particularly as the Second Five year Plan will soon be placed before the country. This policy must be governed by the principles laid down in the constitution, the objective of socialism, and the experience gained during these years.

The Constitution of India, in its preamble, has declared that it aims at securing for all its citizens --

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all;

FRATERNITY assuring the dignity of the individual and the unity of the Nation.[1]

In its Directive Principles of State Policy, it is stated that --

The state shall strive to promote the welfare of the people by securing and protecting as effectively as it may, a social order in which justices, social, economic and political, shall inform all the institutions of the national life.[2]

Further that, The state shall, in particular, direct its policy towards securing -----

(a) That the citizens, men and women equally, have the right to an adequate means of livelihood;

(b) that the ownership and control of the material resources of the community are so distributed as best to serve the common good;

(c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment;

(d) that there is equal pay for equal work for both men and women;

(e) that the wealth and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength;

(f) that childhood and youth are protected against exploitation and against moral and material abandonment.[3]

These basic and general principles were given a more precise direction when Parliament accepted in December, 1954 the socialist pattern of society as the object of social and economic policy. The adoption of a goal of a socialist patterns of society meant the state taking on heavy responsibilities, such as rapid expansion of the public sector; a dominant role by the state in shaping the entire pattern of investment both private and public; and initiation of developments which the private sector was unwilling or unable to undertake. The private sector would play its part within the framework of the overall plan.

In order to realise this objective, it is essential to accelerate the rate of economic growth and to speed up industrialization and , in particular, to develop heavy industries and machine making industries, to expand the public sector, and to build up a large and growing cooperative sector. These provide the economic foundations for increasing opportunities for gainful employment and improving living standards and working conditions for the mass of the people. Equally, it is urgent, to reduce disparities in income and wealth which exist today, to prevent private monopolies and the concentration of economic power in different fields in the hands of small numbers of individuals. Accordingly, the state will progressively assume a predominant and direct responsibility for setting up new industrial undertakings and for developing transport facilities. It will also undertake state trading on an increasing scale. At the same time, as an agency for planned national development, in the context of the country's expanding economy, the private sector will have the

opportunity to develop and expand. The principle of cooperation should be applied wherever possible and a steadily increasing portion of the activities of the private sector developed along cooperative lines.

It must be said that the adoption of the socialist pattern of society as the national objective as well as the need for planned and rapid development require that all industries of basic and strategic importance or in nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a scale which only the state, in present circumstances, could provide have also to be in the public sector. The state has, therefore, to assume direct responsibility for the future development of industries over a wider area. Nevertheless, there are limiting factors which make it necessary at this stage for the state to define the field in which it will undertake sole responsibility for further development, and to make a selection of industries in the development of which it will play a dominant role. After considering all aspects of the problem, in consultation with the Planning Commission, the Government of India have decided to classify industries into three categories, having regard to the part which the state would play in each of them, these categories will inevitably overlap to some extent and too great a rigidity might defeat the purpose in view. But basic principles and objectives have always to be kept in view and the general directions hereafter referred to followed. It should also be remembered that it is always open to the state to undertake any type of industrial production.

In the first category will be industries the future development of which will be the exclusive responsibility of the state. The second category will consist of industries, which will be progressively state owned and in which state will, therefore, generally take the initiative in establishing new undertakings, but in which private enterprise will also be expected to supplement the effort of the state. The third category will include all the remaining industries and their future development will, in general, be left to the initiative and enterprise of the private sector.

Industries in the first category have been listed in schedule A this Resolution. Schedule A of the Resolution includes the following industries:

1. Arms and ammunition and allied items of defence equipment.

2. Atomic Energy.

3. Iron and steel.

4. Heavy castings and foreigns of iron and steel.

5. Heavy plant and machinery required for iron and steel production, for mining, for machine tool manufacture and for such other basic industries as may be specified by the central Government.

6. Heavy electrical plant including large hydraulic and steam turbines.

7. Coal and Lignite.

8. Mineral oils.

9. Mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond.

10. Mining and processing copper, lead, zinc, tin, molybdenum and wolfarm.

11. Minerals specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953.

12. Aircraft.

13. Air transport.

14. Railway transport.

15. Shipbuilding.

16. Telephones and Telephone cables, telegraph and wireless apparatus (excluding radio receiving sets).

17. Generation and distribution of electricity.

All new units in these industries, save where establishment in the private sector has already been approved, will be set up only by the State. This does not preclude the expansion of the existing privately owned units, or the possibility of the State securing the cooperation of private enterprise in the establishment of new units, when the national interests so require.

Railways and air transport, arms and atomic energy, will, however, be developed as Central Government monopolies. Whenever cooperation with private enterprise is necessary, the state will ensure, either through majority participation in the capital or otherwise, that it has the requisite powers to guide the policy and control the operations of the undertaking.

Industries in the second category have been listed in Schedule B of this Resolution. Schedule B of the Resolution covers the following industries:

1. All other minerals except "minor minerals" as defined in Section iii of the Minerals concession Rules, 1949.

2. Aluminium and other non-ferrous metals not included in Schedule 'A'.

3. Machine tools.

4. Ferro-alloys and tool steels.

5. Basic and intermediate products required by chemical industries such as the manufacture of drugs, dye-stuffs and plastics.

6. Antibiotics and other essential drugs.

7. Fertilizers.

8. Synthetic rubber.

9. Carbonization of coal.

10. Chemical pulp.

11. Road transport.

12. Sea transport.

In order to accelerating their future development, the state will increasingly establish new undertakings in these industries. At the same time, private enterprise will also have the opportunity to develop in this field, either on its own or with state participation.

The remaining industries will fall in the third category, and it is expected that their development will be undertaken ordinarily through the initiative and enterprise of the private sector, though it will be open to the state to start any industry even in this category. It will be the policy of the state to facilitate and encourage the development of these industries in the private sector, in accordance with the programmes formulated in successive Five Year Plans by ensuring the development of transport, power and other services, and by appropriate fiscal and other measures. The state will continue to foster institutions to provide financial aid to those industries and special assistance will be given to enterprises organized on cooperative lines for industrial and agricultural purposes. In suitable cases, the state may also grant financial assistance to the private sector. Such assistance especially when the amount involved is substantial, preferable be in the form of

participation in equity capital, though it may be in part, in the form of debenture capital.

The Industrial undertakings in the private sector have necessarily to fit into the framework of the social and economic policy of the state will be subject to control and regulation in terms of the Industries (Development and Regulation) Act and other relevant legislation. The Government of India, however, recognize that it would, in general, be desirable to allow such undertakings to develop with as much freedom as possible, consistent with the targets and objectives of the national plan. When there exist in the same industry both privately and publicly owned units, it would continue to be the policy of the state to give fair and non-discriminatory treatment to both of them.

The classification of industries into separate categories does not imply that they are being placed in water-tight compartments. Inevitably, there will not only be an area of over lapping but also a great deal of dovetailing between industries in the private and public sectors. It will be open to the state to start any industry not included in schedule A and Schedule B when the needs of planning so require or there are other important reasons for it. In appropriate cases, privately owned units may be permitted to produce an item falling within Schedule A for meeting their own requirements or as by - - products. There will be ordinarily no bar to small privately owned units undertaking production, such as the making of launches and other light-craft, generation of power for local needs and small-scale mining. Further,

heavy industries in the public sector may obtain some of their requirements of lighter components from the private sector, while the private sector in turn would rely for many of its needs on the public sector. The principle would apply with even greater force to the relationship between large-scale and small industries.

The Government of India would, in this context, stress, the role of cottage and village and small-scale industries in he development of the national economy. In relation to some of the problems that need urgent solutions, they offer some distinct advantages. They provide immediate large-scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized. Some of the problems that unplanned organisation tends to create will be avoided by the establishment of small centres of industrial production all over the country.

It is seen that the state has been following a policy of supporting cottage and village and small scale industries by restricting the volume of production in the large-scale sector, by differential taxation, or by direct subsidies. While such measures will continue to be taken, whenever necessary, the aim of the state policy will be to ensure that the decentralized sector acquires sufficient vitality to be self-supporting and its development is integrated with that of large-scale industry. The state will, therefore, concentrate on measures designed to improve the competitive strength of the small-scale producer. For this, it is essential that the technique of production should be

constantly improved and modernized, the pace of transforming being regulated so as to avoid, as far as possible, technological unemployment. Lack of technical and financial assistance, of suitable working accommodation and inadequency of facilities for repair and maintenance are among the serious handicaps of small-scale producers. A start has been made with the establishment of industrial estates and rural community workshop to make good these deficiencies. The extension of rural electrification and the availability of power at prices which the workers can afford will also be of considerable help. Many of the activities relating to small-scale production will be greatly helped by the organisation of industrial cooperatives. Such cooperatives should be encouraged in every way and the state should give constant attention to the development of cottage and small-scale industry. In order that industrialisation may benefit the economy of the country as a whole, it is important that disparities in 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 materials or other natural resources. A concentration of industries in certain areas has also been due to the ready availability of power, water supply and transport facilities which have been developed there. It is one of the aims of 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. Only be securing a balanced and coordinated development of the industrial and the agricultural economy in

each region, can be entire country attain higher standards of living.

This programmes of industrial development will make large demands on the country's resources of technical and managerial personnel. To meet these rapidly growing needs for the expansion of the public sector and for the development of village and small-scale industries, proper managerial and technical cadres in the public services are being established. Steps are also being taken to meet shortages at supervisory levels, to organize apprenticeship scheme of training on a large-scale both in public and in private enterprises, and to extent training facilities in business management in universities and other institutions.

It is necessary that proper amenities and incentives should be provided for all those engaged in industry. The living and working conditions of workers should be improved and their standard of efficiency raised. The maintenance of industrial peace is one of the prime requisites of industrial progress. In a socialist democracy, labour is a partner in the common task of development and should participate in it with enthusiasm. Some laws governing industrial relations have been enacted and a broad common approach has been developed with the growing recognition of the obligations of both management and labour. There should be joint consultation and workers and technicians should, wherever possible, be associated progressively in management. Enterprises in the public sector have to set an example in the this respect.

With the growing participation of state in industry and trade, the manner in which these activities should be conducted and managed assumes considerable importance. Speedy decisions and a willingness to assume responsibility are essential if these enterprises are to succeed. For this, wherever possible, there should be decentralization of authority and their management should be along business lines. It is to be expected that public enterprises will augment the revenues of the state and provide resources for further development in fresh fields. But such enterprises may sometimes incur losses. Public enterprises have to be judged by their total results and in their working, they should have the largest possible measure of freedom.

The industrial Policy Resolution of 1948 dealt with a number of other subjects which have since been covered by suitable legislation or by authoritative statements of policy. The devise on of responsibility between the central government and the state governments in regard to industries has been set out in the Industries (Development and Regulation) Act.[4] The Prime Minister, in his statement in Parliament on the 6th April, 1949, has enunciated the policy of the state in regard to foreign capital. It is, therefore, not necessary to deal with these subjects in this resolution.

The Government of India trust that this restatement of the Industrial Policy will receive the support of all sections of the people and promote the rapid industrialisation of the country.

The second Industrial Policy Resolution differed from the first in a

number of ways. In the light of the disappointing performance of the private sector between 1948 and 1955, there was a greater emphasis on the expansion of the public sector. The exclusive responsibility of the state was enlarged from 6 to 17 industries (Schedule A). A further category was introduced (Schedule B) which listed a dozen other industries in which the state might take initiative. More significantly, the threat of imminent nationalisation which the 1948 resolution contained was eliminated. Instead, the private sector was guaranteed plenty of opportunity to develop and expand. The Industrial Policy Resolution of 1956 set out some of the principle's of Nehru's philosophy, though it retained sufficient ambivalence to placate the uncommitted elements. The resolution declared that the state will progressively assume predominant and direct responsibility for setting up new industrial undertakings and for developing transport facilities. It will also undertake state trading on a increasing scale.(5) An important sector of industries was exclusively reserved for the state and the intention of the state to enter other fields indicated. As the resolution explained that the adoption of the socialistic pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utilities, should be in the public sector. Other industries which are essential and require investment on a scale which only the state in present circumstances could provide have also to be in the public sector.(6) But no underline the concept of mixed economy all industries other than those included in the specified schedules were left open to the private sector, with or without state participation.

In the light of the above discussion it is clear that the 1956 Resolution is a definite advance over its predecessor. A few points need to be noted.

(a) The sphere of public sector has been substantially expanded. The 1948 Resolution included three industries in category I and six in category II. Against these the 1956 Resolution includes seventeenth industries in Schedule I and twelve in Schedule II. The public sector now has a much wider field to itself. Its obligations have this gone up.

(b) The Industrial Policy Resolution of 1956 is more flexible than that of 1948. Private enterprise is permitted to function independently or in collaboration with the state in respect of industries included under Schedule I and II, except in case of arms and ammunition, atomic energy, railway and air transportation which are state monopolies.

(c) The Industrial Policy Resolution of 1956 envisages more cordial relations between the two sectors. It promises greater co-operation between the two sectors. Because overlapping and dovetailing are anticipated.

(d) The New Policy has promised fair and parity treatment to the private sector. When there exists in the same industry both privately and publicly-owned units, it would continue to be the policy of the state to give fair and non-discriminatory treatment to both of them.

(e) The Government has abandoned the overall programme to nationalize private industry belonging to the category now reserved for the

public sector. The earlier condition that the status of private undertakings falling within the field reserved for the exclusive responsibility of the state has been dropped. It makes no reference to the acquisition of property by the state.

(f) A steadily increasing proportion of the activities of the private sector will be developed along co-operative lines.

(g) In respect of industrial labour, cottage and small scale industries the Industrial Policy Resolution of 1956 is an advance over that of 1948 Industrial Policy Resolution. In respect of the former it emphasises greater participation and association in the management of industries. In regard to the latter, it emphasises the need for improvement in techniques and productivity.

NOTES AND REFERENCES:

1. Sinha, R. K. - op.cit., p. 147.

2. Ibid.

3. Ibid.

4. For implementing the industrial policy to regulate industry and to promote industrial development a Bill was introduced in Parliament in March 1949 which was finally approved in October 1951 as the Industries (Development and Regulation) Act. The Act came into force on May 6,

1952. It envisages regulation and development of certain industries or groups of industries as given in the First Schedule. In the first instance, there were 37 industries which were increased to 45 in 1953. In March, 1957 there was an addition of 34 more industries to the Schedule. The principal object of this Act is to enable the Government to implement its policy for the Planned development and regulation of industries. It is the chief instrument in the hands of the Government to guide development of industries in the private sector in the directions indicated in the Five Year Plans. The important provisions of the Act are : (i) that all the existing undertakings in the scheduled industries should be registered with the Government within the prescribed period; (ii) that to new industrial unit shall be established or substantial extensions to the existing plants shall be made without a licence from the Central Government; (iii) that the Government shall order an investigation in respect of any scheduled industry or undertaking it, in its opinion, there has been or is likely to be an unjustifiable fall in the volume of production in the industry or undertaking, or if there is a marked deterioration in quality or an increase in price for which there is no justification; (iv) that a similar investigation can also be ordered in respect of any other industrial undertaking being managed in a manner likely to cause serious damage or injury to the consumers; and (v) that in the event of an industry or undertaking not the directions issued after such an investigation the Government can take over its management.

For the purpose of advising the government on matters concerning

the development and regulation of the scheduled industries, the Act provides for setting up the Central Advisory Council - its sub-committee and the standing Committees - having representation of owners, employees, consumers, and certain other classes including primary producers. Further, the Act empowers Government to set up Development Councils for the individual or groups of industries, and the Licensing Committee.

Kuchhal, S.C. - The Industrial Economy of India, Allahabad, Chaitanya Publishing house, 1965, p. 118.

5. Industrial Policy Resolution, 1956, para 5 New Delhi, p. 3.

6. Ibid., para 6, p. 3.

4.3 - THE NEW INDUSTRIAL POLICY OF 1970 AND THE INDUSTRIAL POLICY STATEMENT OF 1973

On accepting the recommendations of the Dutta Committee, the government of India its New Industrial Policy in February 1970. Announced according to this policy it was decided that there should be a lost of core industries consisting of basic, critical and strategic industries in the economy. In addition to the core sector, industries requiring investment over Rs. 5 crores were tone deemed to be in the heavy investment sector, and also a middle sector involving on investment between Rs. 1 crore and Rs. 5 crores.

The Fourth Plan document discussed the new approach to industrial planning. In the first place there is need to achieve speedy self-reliance. With investment growing at a higher rate than aggregate income and with the rapid expansion of demand for manufacture, inputs used in agriculture, the requirement of capital equipment, metals, petroleum products and chemicals have been growing fast. In such areas dependence on imports is specially large. Therefore, in the coming years there should be a faster rate of growth in such areas and speedy attainment of self-reliance. All such industries are capital intensive and size of units is also large. The problem is difficult in view of scarce capital resource in the country. Investment in such industries is to be planned most carefully so that there are no undue delays in bringing

capacity to full utilisation, there is no chance of capital being locked up and the units chosen are made to run most efficiently. The choice of technology should be used in a manner that degree of capital intensity is reduced to the minimum without sacrificing technological improvement, economic deficiency and low cost of production. In the second place, industrial planning should aim at bringing about a dispersed industrial development. In such a condition obviously the cost of providing necessary infrastructure for further expansion of existing large urban and industrial centres is very large. In the third place, industrial planning should be such that it takes all possible steps to avoid technological unemployment among workers in traditional industries during period of transition but in the long run it should be recognised that it is through the adoption of improved techniques and increasing production that economic conditions of the traditional industries can be improved and maintained on a viable basis. In the words of planners, ... the country cannot afford to freeze the existing technological situation merely for the sake of avoiding unemployment or proving additional employment. Such action only postpones the problem to a later data when its solution may become even more difficult [1] The industrial licensing policy envisaged for the Fourth Plan Period is as follows:

(a) All basic and strategic industries involving significant investments or foreign exchange, should be carefully planned and subjected to industrial licensing. Once the licence is granted, credit, foreign exchange and scare raw materials would be earmarked for them and made available in time.

(b) Industries requiring only marginal assistance by way of foreign exchange for capital equipment may be exempted from the need to secure industrial licenses. The ceiling for foreign exchange may be fixed at about 10 per cent of the total value of the capital equipment. However, licencing provisions will operate, if the maintenance import component is high.

(c) Industries which do not need foreign exchange for import of capital equipment or raw materials should be exempted from the requirement of industrial licencing.

The industrial policy for the fourth Plan has been conceived as usual with the objectives of correcting imbalances in the industrial structure and bringing about the maximum utilization of capacity already built up. It was stressed that conditions should be brought about for a vigorous growth in industrial output and capacity without putting an undue burden on balance of payments. It was proposed in the Fourth Plan document that the industrial policy would be directed towards canalisation of capital and personnel resources so as to achieve widespread industrialisation and encouraged emergence of new entrepreneurship and greater dispersal in the ownership and control of industrial development continued to be guided by the broad principles enunciated under the Industrial Policy Resolution of 1956. The policy was to provide for a flexible approach in the development of industries with the public, private and co-operate sector. The policy was to take into account the need to prevent private monopolies and the concentration of economic power in the hands of a small number of individuals. In February

1970 the Government after considering the recommendations made by the Planning Commission, the Administrative Reforms Commission and the Industrial Licensing Policy Inquiry Committee decided to make certain changes in (i) industrial licensing policy; (ii) the policy in regard to assistance from public financial institutions; and (iii) policies relating to the growth of public sector.

For the establishment of and agro-based industries, applications from co-operative undertaking would be given preference. The main objective behind this new industrial policy was to permit the entry of large industrial houses into the care and heavy investment sector where they could make a distinct contribution by their resources. At the same time other industrial areas would be opened to others and thereby concentration of economic power can be avoided and even distribution of industries can be attained.

The Industrial Policy, announced by the Government on 2nd February 1973, reiterates the dominant role of the public sector in terms of the 1956 Industrial Policy Resolution. The 1973 Policy Statement elaborates the controversial concept of "joint sector" and makes it that this will not be used to allow larger houses, dominant undertaking and foreign companies to enter fields from which they are otherwise precluded.

The following is the text of the press note on governments decisions on industrial policy:

The Government has carefully reviewed its policies relating to industrial development in the light of the experience gained in the implementation of the Industrial Licensing Policy of 18th February 1970, and in the context of the Approach to the Fifth Five Year Plan. The Industrial Policy Resolution of 1956 has laid down the basic principles that govern the Governments approach towards industrial development. These principles have been derived from the Directive Principles of State Policy contained in the Constitution and from the adoption by parliament in December 1954 of the socialist pattern of society as the objective of social and economic policy. The Industrial Policy Resolution of 1956 will continue to govern the Government's objectives of growth, social justice and self-reliance in the industrial sphere.

As pointed out in the Industrial Policy Resolution, the adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, requires that the nature of public utility services should be in the public sector. Other industries which are essential and require investment on a scale which only the state, in the present circumstances, could provide, have also to be in the public sector in the context of the approach to the Fifth Five Year Plan, the state will have to take direct responsibility for the future development of industries over a wide field in order to promote the cardinal objectives of growth, social Justice, self-reliance, and satisfaction of basic minimum needs.

The Industrial Licensing Policy of 18th February 1970 was formulated in the context of the Fourth Plan. It also precedes the coming into effect of the Monopolies and Restrictive Trade practices Act, 1969. The Government considers it desirable to update the Industrial Licensing Policy in order to reflect the Approach to the Fifth Plan and take into account the legal and institutional arrangements that are now available for the effective control of the concentration of economic power.

The intention in amending the industrial licensing policy at this time is that greater clarity in the investment climate will facilitate the priorities and production objectives in the Fifth Plan.

The Industrial Licensing Policy of 1970 places certain restrictions on undertakings belonging to the larger industrial houses as defined in the report of the Industrial Licensing Policy Inquiry Committee (IL PIC). Such concerns are ordinarily excluded from participating in sectors other than the core and heavy investment sectors, leaning the opportunities in the remaining sectors primarily to other classes of entrepreneurs. The definition of larger industrial houses adopted by ILPIC was, however, on the basis of assets along with assets of interconnected undertakings, exceeding Rs. 35 crores.

The Government considers that the definition of larger industrial houses to be adopted for licensing restrictions should be in conformity in all respects with that adopted in the MRTP Act of 1969. The definition adopted in that Act is on the basis of a lower limit of assets, along with assets of inter-

connected undertakings, of not less that Rs. 20 crores. The adoption of the lower limit of Rs. 20 crores as well as the definition of inter-connected undertakings as provided in the MRTP Act 1969 will consult in more effective control on the concentration between the definition of larger industrial houses for licensing purposes which is based on the ILPIC report and for the control of concentration of economic power which is based on the MRTP Act, 1969. The Government considers it desirable to consolidate the lost of industries which are open, along with other applicants, for the participation of larger industrial houses (as defined in the MRTP Act). In the contest of the Approach of the Fifth Plan, the core industries of importance to the national economy in the future, industries having direct linkages with such core industries, and industries with long-tern potential, are all of basic, critical and strategic importance for the growth of the economy. A consolidated list of such industries (Appendix I) are as follows:

The classification of industries follows the First Schedule to the Industries (Development and Regulation) Act, 1951. Items of manufacture reserved for the public sector under Schedule A to the Industrial Policy Resolution, 1956, or for production in the small-scale sector as may be notified from time to time will be excluded from the application of the list.

1. Metallurgical industries : (a) ferroalloys; (b) steel castings and forgings; (c) special stells; (d) non-ferro metals and their alloys.

2. Boilers and steam generating plants.

3. Prime movers (other than electrical generators): (a) industrial turbines; (b) internal combustion engines.

4. Electrical equipment : (a) equipment of transmission and distribution of electricity; (b) electrical motors; (c) electrical furnaces; (d) X-ray equipments; (e) electronic components and equipment.

5. Transportation : (a) mechanised sailing vessels up to 100 dwt; (b) ship ancillaries; (c) commercial vehicles.

6. Industrial machinery.

7. Machine tools.

8. Agricultural machinery : tractors and power drillers.

9. Earthmoving machinery.

10. Industrial instruments : indicating recording and regulating devices for pressure, temperature, rate of flow, weights, levels and the like.

11. Scientific instruments.

12. Nitrogenous and phosphatic fertilisers falling under (i) inorganic fertilisers under 18. Fertilisers in the First Schedule to the Industrial Development and Regulation Act, 1951.

13. Chemicals (other than fertilisers): (a) inorganic heavy chemicals ; (b) organic heavy chemicals; (c) fine chemicals including photographic chemicals; (d) synthetic resins and plastic; (e) synthetic rubbers; (f) man made fibres; (g) industrial explosives; (h) insecticides, fungicides, weedicides and the like; (i) synthetic detergents; (j) miscellaneous chemicals (for industrial use only).

14. Drugs and pharmaceutical.

15. Paper and pulp including paper products.

16. Automobile tyres and tubes.

17. Plate glass.

18. Ceramic : (a) refractories; (b) furnace lining bricks -- acidic, basic and neutral.

19. Cement products.

Such of the industries included in Schedule A of the Industrial Policy Resolution 1956 will be reserved for the public sector.

Larger houses will be eligible to participate in and contribute to the establishment of industries in the list included in Appendix I along with other applicants, provided that the item, of manufacture is not one that is reserved for production in the public sector or in the small-scale sector. They will

ordinarily be excluded from the industries not included in this list except where, as is permitted under existing arrangements, production is predominantly for exports.

Foreign concerns and subsidiaries and branches of foreign companies will be eligible to participate in the industries specified in Appendix I along with other applicants, but will ordinarily be excluded from the industries not included in this list.

They will also be entitled as at present to invest in industries where production is predominantly for exports. Their investments will be subject, as hitherto, to the guidelines on the dilution of foreign equity and will be examined with special reference to technological aspects, export possibilities and the overall effect on the balance of payments.

In the implementation of the licensing policy, the Government will ensure that licensing decisions conform to the growth profile of the plan and that techno-economic and social considerations such as economics of scale, appropriate technology, balanced regional development and development of backward areas are fully reflected. The Government's policy will continue to be to encourage competent small and medium entrepreneurs in all industries including those listed in Appendix I. Such entrepreneurs will be preferred vis-a-vis the large industrial houses and foreign companies, in the setting up of new capacity. The licensing policy will seek to promote production of ancillaries, wherever feasible and appropriate, in the medium or small scale sector.

Co-operatives and small and medium entrepreneurs will be encouraged to participate in the production of mass consumption goods with the public sector also taking an increasing role. Other investors will be allowed to participate in the production of mass consumption goods with the public sector also taking an increasing role.

Other investors will be allowed to participate in the production of mass consumption goods only if there are special factors such as sizeable economics of scale resulting in reduced prices, technological improvements, large investment requirements, substantial export possibilities or as part of modernization. The Government also intended to enlarge and intensify a variety of positive measures designed to promote the growth of small and medium entrepreneurs. The exemption limit from licensing provisions which now apply to substantial expansions and new undertakings upto Rs. 1 crore by way of fixed assets in land, buildings and machinery will be continues. This exemption will not apply to larger industrial houses and to dominant undertakings as defined in the MRTP Act and to foreign companies including their branches and subsidiaries.

Along with making the definition of larger industrial house consistent with the one adopted under the MRTP Act, the Government has also decided that the exemption will not apply to existing licensed on registered undertakings having fixed assets exceeding Rs. 5 crores. Such undertakings will hereafter be subject to the licensing provisions of the Industries (Development and

Regulation) Act, 1951 in respect of new undertakings as well as expansions and diversifications in the delicensed sector.

The Government hopes that these changes will act as a safeguard against the entry of large undertakings into areas that are primarily meant for small, medium and new entrepreneurs.

The existing policy of reservation of the small-scale sector (involving investment in machinery and equipment upto Rs. 7.5 lakhs, and in the case of ancillary industries upto Rs. 10 lakhs) will be continued. The areas of such reservation will be extended consistent with potentialities and performance of the small-scale sector.

The policy of encouragement to the co-operative sector will receive special emphasis in industries which process agricultural raw materials such as sugarcane, jute, cotton or produce agricultural inputs such as fertilisers. The co-operative sector is also ideally suited for the manufacture and distribution of mass consumption goods.

It was in the Industrial Licensing Policy Inquiry Committee Report (1969) that the concept of joint sector was introduced.[2] This committee proposed that major private sector projects be set up in the 'joint sector' through the device of the participation of public financial institutions in their financing. In the Committee's own words : The 'joint sector' would, in our view include units in which both public and private investment has taken

place and where the state takes an active part in direction and control. We consider it important that when public sector financial assistance on any significant scale is provided for the private sector, not only should an appropriate share in the benefits accruing from the project after it is completed be available to the state, but the project should also necessarily be treated as belonging to the 'joint sector', with proper representation for the state in its management. This purpose may be achieved by the financial Institutions insisting on the whole or part of their assistance in the form of loans and debentures being convertible into equity at their option and, if necessary, the law should be amended to provide for this.(3) The idea was that the enormously large capital requirements of modern and technologically complex projects would be met by public financial institutions for a substantial share of the initial investment, and that a joint sector would provide an effective antidote to the provide concentration of economic power and a curb on the uncontrolled growth of the large business houses. Defencing the joint sector concept, Mr. Subramaniam, Minister of Industrial Development said that the principal aim of this concept was the participate in the management of the large private undertakings with heavy investment by public financial institutions and neutralise the loyalty of professional managers to larger homes.

Joint sector enterprises may be brought into existence in any one of the following ways : (i) The Central Government (Ministry concerned) may set up new companies jointly with private entrepreneurs with substantial equity participation of both the parties. (ii) The State Government or their industrial

development corporation may set up new enterprises jointly with private entrepreneur with equity participation of both the parties. (iii) Public financial institutions may transform enterprises of private entrepreneurs into joint sector companies by equity participation of by converting debt into equity. (iv) Existing public sector companies may be transformed into joint sector enterprises through the scale of equity shares to private entrepreneurs. The first two types relate to new enterprises and the other two types are concerned with old enterprises which are transformed into joint sector enterprises. Under existing conditions the first two are important where the initiative in setting up companies is primarily with the government and private entrepreneurs and whose organisation, management and control would be planned afresh on new lines.

It may be said that joint sector enterprises represent an application of the concept of mixed economy at the micro-level. The rationale for developing a joint sector may be given below.[4] Firstly, it shall exercise an effective social control over industry. Government's participation in the joint management and ownership should be an effective means for controlling monopoly, concentration of economic power and monopolistic malpractices. Secondly, it shall accelerate industrial growth. Joint sector should stimulate private investment in participation with state and its assistance. Development of the joint sector should lead to increased investment in a wide range of industries. Thirdly, it shall help the state in the process of mobilisation of resources. The research paper mentioned above in this connection further

reads : Government's investment of 25-30 per cent equity in a new enterprise could lead to the mobilisation of 70-75 per cent of equity from private entrepreneurs and general public. Even if part of this capital comes from public financial institutions, at least 50 per cent of the equity could come from the public. The Government's catalytic role in spawning or collaborating in new joint ventures will thus have a multiplier effect in terms of mobilising investible resources from the rest of the economy ..... In fact if attractive investment opportunities are not forthcoming, there is every chance that savings will be frittered away in consumption. There is reason to believe that such wasteful capital consumption is always taking place in the corporate sector because investment opportunities are lacking ..... If speeding up the rate of industrial growth is an objective, it stands to reason that the available scarce human skills and resources are also mobilised for this task, consistent with the other social objectives of the country.(5) Fourthly, it shall broaden the base of entrepreneurship in the country. In the joint sector, the government shall be an active participation and it shall share the role of entrepreneurial risk taking with the private partner. Many private entrepreneurs who are shy and whose resources are meak and who are not very influential, may come forward and take advantage of the joint sector opportunities. The government should provide them support and the various development corporations would play the role of broad-basing entrepreneurship.

With the acceptance of joint sector concept it will be ensured that there is a greater degree of participation in management, particularly at policy

levels, in case of big projects involving substantial assistance from public financial institutions. Public financial institutions may now be able to convert loans given and debentures issued either wholly or partly into equity within a specified point of time. As for loans and debentures given in the past financial institutions concerned would have discretion to negotiate conversion in cases of default.

The government's policy regarding the joint sector is derived from the Industrial Policy Resolution, 1956, and the objective of reducing the concentration of economic power. In appropriate cases, the Central and State governments have taken equity participation either directly or through their corporations with private parties. Some joint sector units have come up in this way. In the 1973 Industrial Policy 'joint sector' has been accepted as a device which may be resorted to in specific cases with regard to the fulfilment of the production targets of the plan. Each proposal for establishing a joint sector unit of this nature will have to be judged and decided on its merits in the light of the government's social and economic objectives. The joint sector will also be promotional instrument, as for instance, in cases where state government go into partnership with new and medium entrepreneurs in order to guide them in developing priority industry.

The Government specifically wishes to clarify that the joint sector will not be permitted to be used for the entry of larger houses, dominant undertakings and foreign companies in industries in which they are otherwise precluded on their own. In all the different kinds of joint sector units the

Government will ensure for itself an effective role in guiding policies, management and operations, the actual pattern and mode being decided as appropriate in each case.

The Government hopes that with these clarifications, there will be greater certainty in the investment climate and that all sections of the community will come forward to play their due role in the promotion of growth with self-reliance within the accepted framework of a socialist pattern of society. The changes now proposed are designed to stimulate growth in all priority industries of importance to the Fifth Plan subject to a more effective enforcement of social objectives.

It will be the Government's objective to maintain a durable framework of licensing and other connected policies consistent with the basic principles of the industrial policy resolution of 1956 and to further steaming licensing and connected procedures, wherever necessary, so as to expedite the investment process in all its stages.

NOTES AND REFERENCES :

1. Government of India, Planning Commission, Fourth Five Year Plan, Delhi, Government of India Press. p. 393

2. Joint Sector as a form of business has existed in India long before the ILPIC's report. Every before Independence the princely states of Mysore and Hyderabd had established several enterprises of this type. After

Independence this form of organisation was found appropriate in Cochin Refineries (1963), Madras Refineries (1965), Madras Fertilisers (1966), Air India (1947), Bolani Areas (1957), and Gujarat State Fertilizer Company (1965).

Tandon, B.C. -- Pattern and Technique of India's Economic Development, Vol. I, Allahabad, Chugh Publications, 1977, p. 352.

3. Ibid., p. 353.

4. Paul, Samuel, et. al. - 'Joint Sector : Guidelines for Policy', Economic and Political Weekly, Vol. No. 50. December 9, 1972, pp. 2417-2419.

5. Ibid., p. 2419.

4.4 - STATEMENT OF INDUSTRIAL POLICY, DECEMBER, 1977

The Government policy in the sphere of industry has been governed by the Industrial Policy Resolution of 1956. While some of the elements of that Resolution in regard to the desirable pattern of industrial development will remain valid, the results of actual policies in the industrial field have not been upto the expectations or declared objectives. The growth of industrial output during the period from 1967 to 1977 except for the year 1976 has been no more than 3 to 4 percent per annum of an average. The growth of per capita national income during the last 10 years has been about 1.5 per cent per annum and is clearly inadequate to meet the needs of a developing economy . Unemployment has increased, rural-urban disparities have widened and the rate of real investment has stagnated. The incidence of industrial sickness has become wide-spread and some of the major industries are worst affected. The pattern of industrial cost and prices has tended to be distorted; and dispersal of industrial activity away from the larger urban concentrations has been very slow. The Industrial Policy, announced in December 1977, was, therefore, primarily directed towards removing the distortions of the past so that the genuine aspirations of the people can be met within a time-bound programme of economic development.

The close interaction between the agricultural and industrial sectors of our economy cannot be overemphasised. Much of our industrial production

is based on agricultural raw materials. Similarly, in order to increase our agricultural productivity by adaptation of modern technology and agronomic practices to our own conditions, important inputs have to come from our industrial sector. Highest priority must be accorded to generation and transmission of power. Our recent experience demonstrates that lack of adequate power availability has become one of the most important constraints in the development of agriculture and industry. Similarly, cement and steel required to build our irrigation projects, the implements for ploughing and preparing the land, the equipment for processing high quality seeds, fertilizers and pesticides, oil and power, a wide range of industrial products are essential for increasing the level of our agricultural production. The prosperity and the distribution of income arising from a broad based growth of agriculture and related activities in the countryside had to provide the basic demand for a wide range of industries producing articles of consumption. It is only by such a process of reinforcing interaction of the agricultural and industrial sectors that employment can be found for the large number of the rural population who cannot be absorbed in the agricultural sector.

It is to pride that today, our assets in terms of foodgrain and foreign exchange reserves are considerable. But much more importantly our most valued asset is the willing hands of our rural manpower and the reservoir of highly trained scientists, engineers and technicians who today the third largest group of skilled manpower in the world. Great opportunities and great challenges are open to us now; but they cannot be seized by timid and half

hearted policies. A new approach is called for in several areas of our national life. This new approach should reflect not only our vast resources and special endowments but should show particular concern for the utilization of these resources and endowments for the amelioration of the living conditions of the majority of our people. The new industrial policy should and will hereafter place man at the centre of planning and implementation of projects and schemes.

The broad objectives of the 1977 Industrial Policy are as follows:

(1) Doubling the rate of growth of national income from 3.5% of 7% per annum.

(2) A rapid increase in the rate of growth of industrial production.

(3) Creating much larger employment opportunities and

(4) Reducing wide regional disparities and imbalances.

The salient features of the 1977 Industrial Policy are as follows:

(a) Small scale Industries - The emphasis of industrial policy so far has been mainly on large industries neglecting cottage industries completely and relegating small industries to a minor role. It is the firm policy of this Government to change this approach.

It should be said that the main thrust of the new Industrial Policy

will be on effective promotion of cottage and small industries widely dispersed in rural areas and small towns. It is the policy of the Government that whatever can be produced by small and cottage industries must only be so produced. For this purpose, an exhaustive analysis of industrial products has been to identify those items which are capable of being established or expanded in the small scale sector. The list of industries which would be exclusively reserved for the small scale sector has been significantly expanded and will now include more than 500 items[2] as compared to about 180 items earlier. This list is laid on the Table of the House. However, it must also be ensured that production in this sector is economic and of acceptable quality. The list of industries reserved for the small scale sector has to be continually reviewed so that capacity creation does not leg behind the requirements of the economy. An annual review of reserved industries will be undertake in order to ensure that reservation accorded to the small scale sector is efficient and is also continually expanded as new products and new processes capable of being manufactures in the small scale are identified.

(b) The Tiny Sector - While the existing definition of small scale industries will remain, within the small scale sector, special attention will be given to units in the tiny sector, namely, those with investment in machinery and equipment upto Rs. 50,000 according to 1971 census figures, and villages. Schemes will be drawn up for making available margin money assistance especially to tiny units in the small scale sector as well as college and household industries.

(c) Legislation for Cottage Industries - While there has been reservation for the small scale sector there has been no special protection for cottage and household industries sector. Government will consider introducing special legislation for protection the interest of cottage and household industries with a view to ensuring that these activities which provide self-employment in large number get due recognition in our industrial development.

(d) Promotional Measures - In the past, there has been tendency to proliferate schemes, agencies and organisation which have tended more to confuse the average small and rural entrepreneur that to encourage and help him. The focal point of development for small scale and cottage industries will be taken away from the big cities and State capitals to the district headquarters. In each district, there will be one agency to deal with all requirements of small and village industries. This will be called the District Industries Centre. Under the single roof of the District Industries Centre, all the services and support required by small and village entrepreneurs will be provided.

This will include economic investigation of the district's law material and other resources, supply of machinery and equipment, provision of raw materials, arrangements of credit facilities, an effective set up for marketing and a cell for quality control, research and extension. The centre will have a separate wing for looking after the special needs of cottage and household industries as distinct from small industries. The Centre will establish close linkages with the Development Blocks on the one hand and with specialized

institutions like small Industries Service Institutes on the other. It is the intention of the Government to extend this important organizational pattern to all the Districts in the course of the next four years. Suitable financial and organizational support will be provided to the State Governments to achieve this objective. The financial assistance given to small and cottage industries under the Rural Industries Programme will also be extended to all the districts in the country within the next four years.

As a measure to provide effective Financial support for promotion of small, village and cottage industries, the Industrial Development Bank of India (IDBI) has taken steps to set up a separate wing to deal exclusively with the credit requirements of this sector. It will coordinate, guide and monitor. The entire range of credit facilities offered by other institutions for the small and cottage sector, for whom separate wings will be set up in these institutions, particularly nationalized banks. Banks will also be expected to earmark a specified proportion of their total advances form promotion of small, village and cottage industries. It is the policy of the Government to see that no worthwhile scheme of small or village industry is given up for want of credit.

The growth of the small scale and cottage industries sectors has been tardy mainly for want of satisfactory marketing arrangements for their products. The marketing of goods of these sectors with its concomitant of product standardization quality control, marketing surveys will therefore need special attention. The Government will provide the maximum support for

these activities on priority basis. Measures such as purchase preference and reservation for exclusive purchased by Government Departments and Public Sector Undertakings will also be used to support the marketing of these products.

(e) Khadi and Village Industries Commission - The Khadi and Village Industries Commission presently has 22 village industries within its purview but the promotional work in this area has been haphazard and the process has been slow. The Khadi and Village Industries Commission will work out detailed plans for development of these village industries by adopting modern management techniques. Especially for the production of footwear and soaps, special programmes would be drawn up to increase progressively their share in the total production of these items in the country. The list of items currently under the purview of the Commission will be considerably expanded, and the state and national level organizational structure of the Commission will be revamped so that it can more effectively fulfil the role assigned to it.

In the programme for development of village industries, the promotion of Khadi has a special place. A break through in the field of Khadi is in sight with prospects of spinning and weaving polyester fibre alone with cotton fibre. The preliminary work done so far holds out the hope of developing a large market of polyester Khadi and improving the productivity and earnings of Khadi spinners and weavers. The Khadi and Village Industries Act is being amended to permit the implementation of a large scale programme in 'Nay Khadi'. The Government is committed to

providing maximum financial and marketing support that is needed for promotion of Khadi programme.

Along with Khadi, the clothing needs of the masses can be progressively met through development of the handloom sector, which provides employment to the bulk of people engaged in the production of textiles. Government will not permit any expansion in the weaving capacity in the organised mill and powerloom sector. In order to provide adequate supply of yarn for the handloom sector, the Government will ensure that the handloom sector has priority in the allocation of yarn spun in the organised sector. In case there is any shortage, Government will ensure that steps ~~and~~ are taken to increase spinning capacity. Further, in order to provide a ready market for handloom products it will be ensured that the organised mill sector does not provide unfair competition to the handloom sector. Certain items of textiles are already reserved for production in the handloom sector. However, such reservation has been very effective. The Government will enforce the existing reservation and further extend it to other items.

(f) Appropriate Technology - The development and application of technology appropriate for socio-economic conditions has so far not received adequate attention. It will henceforth be an integral part of policy and Government will censure that this important area gets adequate attention. Special arrangements will be made to ensure an effective and coordinated approach for the development and widespread application of suitable small and simple machines and devices for improving the productivity and earning

capacity of workers in small and village industries. It will further be Government's endeavour to fully integrate such appropriate techniques of production with the broader programme of all round rural development.

(g) Role of Large Scale Industries - In addition to small and village industries, there is also a clear role for large scale industry in India. However, the Government will not favour scale industry merely for demonstration of sophisticated skills or as monuments of irrelevant foreign technology. The role of large scale industry will be related to the programme for meeting the basic minimum needs of the population through wider dispersal of small scale and village industries and strengthening of the agricultural sector. In general, areas for large industry will be : (a) basic industries which are essential for providing infrastructure as well as for development of small and village industries, such as steel, non-ferrous metals, cement, oil refineries; (b) capital goods industries for meeting the machinery requirement of basic industries as well as small scale industries; (c) high technology industries which require large scale production, and which are related to agricultural and small scale industrial development such as fertilizers, pesticides, and petro-chemicals, etc.; and (d) other industries which are outside the list of reserved items for the small scale sector, and which are considered essential for the development of the economy such as machine tools, organic and inorganic chemicals.

(h) Large Houses - Past experience shows that Government policies have not succeeded in restraining the disproportionate growth of Large Houses.

While a certain measure of growth of existing enterprises is inevitable and also necessary for continued health of these enterprises the growth of Large houses had been disproportionate to the size of their internally generated resources and has been largely based on borrowed funds from public financial institutions and banks. This process must be reversed.

In future, expansion of Large Houses will be guided by the following principles:

(i) The expansion of existing undertakings and establishments of new undertakings will continue to be subject to the provisions of the monopolies and Restrictive Trade Practices Act. The provisions of ~~the~~ this Act including those relating to dominant undertakings would be effectively implemented.

(ii) Except in the case of industries eligible for automatic growth of capacity, the expansion of existing undertakings into new lines and establishments of new undertakings by Large Houses will require specific approval of Government.

(iii) Large houses will have to rely on their own internally generated resources for financing new or expansion projects. While an appropriate debt equity ratio will be permitted in the case of industries like fertilizers, paper, cement, shipping, petro-chemicals, etc. which are relatively more capital intensive in nature, the debt equity ratio in the case of other less capital

intensive or less sophisticated industries will be so to reflect the greater use of their own internally generated resources by the Large Houses.

In its licensing policy Government will regulate the activities of the large houses to bring them in line with the country's socio-economic goals. Where large scale units, whether belonging to large houses or not, are already engaged in the manufacture of items since reserved for the small scale sector, there will be no expansion in their capacity. On the other hand, the share of these units in the total capacity for these items will be steadily reduced and that of small scale and cottage sector increased. In licensing other activities of large scale industry, particularly of units belonging to large houses, Government would pay due regard to the existing share of these units in the total domestic production of these items. It will be the policy of Government to ensure that no unit or business group acquires a dominant or monopolistic position in the market. The present industrial activities of the Large Houses will be scrutinized so that unfair practices arising out of manufacturing inter-linkages are avoided.

To ensure social accountability, the financial institutions whose support is vital for setting up and running of large scale enterprises will be expected to assume a more active role in overseeing the activities of undertakings financed by them in order to ensure that management is increasingly professionalism and conforms to national priorities.

(i) Public Sector - The public sector in India has today come of

age. Apart from socializing the means of production in strategic areas, public sector provides a controlling power to the growth of large houses and large enterprises in the private sector. There will be an expanding role for the public sector in several fields. The public sector will not only be the producer of important and strategic goods of basic nature, but it will also be used effectively as stabilizing force for maintaining essential supplies for the consumer. The public sector will be charged with the responsibility of encouraging the development of a wide range of ancillary industries and contribute to the growth of decentralised production by making available its expertise in technology and management to small scale and cottage industry sectors. It will be the endeavour of Government to operate public sector enterprises on profitable and efficient lines in order to ensure that investment in these industries pays an adequate return to society. The Government attaches high priority to the building up of a professional cadre on managers in the public sector, who would be given the necessary autonomy and entrusted with the task of providing dynamic and efficient management to such enterprises.

(j) Indigenous and foreign Technology - The Country has well developed infrastructure of scientific establishments. Future development of industries in India must be based on indigenous technology as for as possible. Full scope will be given to the development of indigenous technology. It also essential that development of indigenous technology is responsive to the objective of efficient production in increasing quantities of goods that society urgently needs. Science and technology must contribute to the improvement

in the living standards and the quality of life of the large mass of our people.

In order to promote technological self-reliance, the Government recognizes the necessity for continued inflow of technology in sophisticated and high priority areas where Indian skills and technology are not adequately developed. In such areas, the Government's preference would be for outright purchase of the best available technology and them adapting such technology to the country's needs. Indian firms which are permitted to import foreign technology would be required in appropriate cases to set up adequate Research and Development facilities so that imported technology is properly adapted ~~and~~ are assimilated. The Government will also set up a national registry of foreign collaboration in the Secretariat of the Foreign Investment Board so that there is continuous monitoring of these efforts.

(k) Foreign Investment - The Government would also like to clarify its policy regarding participation of foreign investment and foreign companies in India's industrial development. So far as existing foreign companies are concerned, the provisions of the Foreign Exchange Regulation Act would be strictly enforced. After the process of dilution under this Act has been completed, companies with direct non-resident investment not exceeding 40 per cent will be treated on par with Indian companies, except in cases specifically notified, and their future expansion will be guided by the same principles are those applicable to Indian companies.

Foreign investment and acquisition of technology necessary for

India's industrial development would be allowed only on such terms as are determined by the government of India to be in the national interest. In areas where foreign technological know how is not needed existing collaborations will bot be renewed and foreign companies operating in such fields will have to modify their character and activities in conformity with national priorities within the framework of the Foreign Exchange Regulation Act. To guide entrepreneurs, government will issue a revised illustrative list of industries where no foreign collaboration, financial or technical, is considered necessary since indigenous technology has fully developed in this field.

It is said that for approved foreign investment, there will be complete freedom for remittance of profits, royalties, dividends as well as repatriation of capital subject, of course, to rules and regulations common to all. As a rule, majority interest in ownership and effective control should be in Indian hands though Government may make exception in highly export oriented and /or sophisticated technology areas. In hundred percent export oriented cases, Government may consider even a fully owned foreign company.

(i) Indian Joint Ventures Abroad - A number of joint ventures have been set up in many developing counties but Indian entrepreneurs in collaboration with local associates. At the present stage of the country's industrial development, substantial export of capital from India will neither be feasible nor desirable. The contribution of the Indian entrepreneur to the joint ventures abroad, shall, therefore have to be mainly in the form of machinery and equipment, structural and also technical know-how and

management expertise. In cases where, in addition, some case investment is found necessary, Government will be willing to consider such investment up to a maximum limit to be prescribed for this purpose.

(m) Import Liberalisation - Self-reliance must continue to be a paramount objective of country in industrial and economic policy. Recent events in the international economy have demonstrated that the main burden of adjustment to external shocks and changing international environment has to be borne by the country itself. Our industrial strategy, therefore must respond to the objective of creating an industrial base which is sufficiently diversified and sufficiently strong to withstand the vagaries of international trade and aid relationships. The creation of a strong and diversified industrial economy does not mean that the country should not or need not participate in international trade, both as exporter and importer of industrial goods. This we must continue to do. In fact, the favourable changes that have taken place in our foreign exchange situation and the progress that we have made in the industrial field should now enable us to selectively dispense with import quotas and quantitative restrictions, while retaining the protection given through tariffs. (3) (3) Relaxation of quantitative import controls, must, however, be consistent with our overall plan priorities. Such relaxation will be in areas where existing quantitative restrictions or hurting rather than helping the future development of high priority of industries, for example, by unduly delaying the implementation of critical projects or where indigenous industry is taking advantage of such restrictions for raising costs and prices beyond tolerable

limits. Indian industry would, of course, be given all assistance to improve their competitive position and their technology. Many Indian firms are even today in a position to compete successfully in international field, and therefore no longer require the protection through quotas.

(n) Exports of Manufactures - Exports of manufactures are an important and growing segment of our export trade. Government will consider favourably proposals for export oriented manufacturing capacity in fields where such investment is likely to be internationally competitive after making allowance for the structure of indirect taxation in the form of customs and excuse duties and other similar levies. In the case of wholly export based activities, Government will also be willing to consider exemption from customs/ excise duties on inputs, provided there is substantial net value added in the export product and also such production is likely to generate additional direct and indirect employment.

(o) Location of Industries - The Government attaches great importance to balanced regional development of the entire country so that disparities in levels of development between different regions are progressively reduced. Government have noted with concern that most of the industrial development that has taken place in our country since independence has been concentrated around the metropolitan areas and large cities. The result has been a rapid deterioration in the living conditions especially for the working classes in the larger cities and attendant problems of slums and environmental pollution. The Government have decided that no more licences should be

issued to new industrial units within certain limits of large metropolitan cities having a population of more that I million and urban areas with a population of more that 5 lakhs as per the 1971 census. State government and financial institutions will be requested to deny support to new industries in these areas such as those which do not require an industrial license. The Government of India would also consider providing assistance to large existing industries which want to shift from congested metropolitan cities to approved locations in backward areas.

(p) Pricing Policy - A sound price policy has to aim at a reasonable degree of price stability and a fair parity between prices of agricultural and industrial products. There has been a tendency to regulate prices of industrial products which are vital to the needs of development in a manner which made their production less attractive than production catering to the needs of the elite. It will be the policy of Government to ensure that in cases where there is price control, the controlled price will include an adequate return to the investor. Provided that the industry is operating at a fairly high utilization of capacity and is conforming to the technologically attainable norms, it will be permitted to earn a sufficient return to provide for a reasonable dividend to the shareholder and also adequate funds to plough back into business for modernization and growth. By the same token, Government cannot permit exorbitant profits being made by industries which are operating well below their capacity or by units which operate in a monopolistic environment.

(q) Workers' Participation - The most important single resource of any country is the skill and hard work of its people. We, in India have an abundant supply of labour which is capable of acquiring new skills very quickly and also an existing reservoir of technical and managerial personnel. These resources can be used effectively only in an environment in which the workers and managers develop a sense of personal involvement in the working of the enterprise. Family control of business particularly in the field of large scale industry is an anachronism, and it will be Government's policy to insist on professionalism in management. At the same time, ways and means have to be found to create amongst workers, both in public and private sector industries, a stake in the efficient working of their units. The Government are examining the possibilities of encouraging worker's participation in the equity of industrial units without, in any way, adversely affecting their interests. Such equity participation together with an active association of workers in decision making from the shop floor level to the Board level will provide the necessary environment for a meaningful participation by workers in the management of industry.

(r) Sickness in Industry - One of the disturbing features of the industrial scene in recent years has been the growing incidence of sickness of both large and small units. In some cases, such as cotton and jute and textiles or sugar, a high proportion of the units in the industry have become sick with the result that in order to protect employment, government has had to take over a number of such units. While government cannot ignore the

necessity of protecting existing employment, the cost of maintaining such employment has also to be taken into account. In many cases, very large amounts of public funds have been pumped into the sick units which have been taken over but they continue to make losses which have to be financed by the public exchequer. This process cannot continue indefinitely.

In future, the takeover of management of units would be resorted to selectively and only after careful examination of the steps required to revive the units. It would also be the policy of the Government to take quick and effective steps for rehabilitation and reconstruction of the units and to ensure professional management of such units on a continuing basis. The cost of overcoming sickness in industry becomes much more manageable if such sickness can be diagnosed at an early date. For this purpose Government in cooperation with the Reserve Bank of India have instituted arrangements for monitoring incipient sickness in industrial units so that corrective action can be initiate as soon as there is evidence of mismanagement or financial and technological weakness. The Government is also considering measures whereby managers or owners who are responsible for mismanaging and turning their units sick are not permitted to play any further part in the management of other units.

(s) Streamlining of Procedures - Government will continue its effort to remove irritants in the industrial approval procedures which come in the way of accelerating industrial development. Since costs of delay are heavy and our country which is seeking to pull itself by its boot-straps can ill-

afford them and swift progress should be our watchword, every effort will be made to improve administrative arrangements so as to result not only in further speedy and orderly approval procedures but also in enforcing an expeditious translation of letters of intent and industrial licences into productive capacity on ground. In order to streamlining and simplify procedures and policies relating to industrial licensing as well as imports and exports, Government have set up high level committees which will submit their report shortly.

Industrial development is a complex process requiring the effective interaction and cooperation of all sections of society. If the objective of the new Industrial policy of accelerating the pace of industrial growth, rapid increase in levels of employment, productivity and income of industrial workers and a wide dispersal of small and village industries have to be achieved, the willing cooperation of industrial workers, trade unions, managers, entrepreneurs, financial institutions and various governmental authorities responsible for implementing schemes of assistance will be essential. The main brunt of the effort has, however, to be borne by our industrial workers and managers who are second to none of their skills and efficiency. The Government earnestly appeals to all these groups to work together in a spirit of dedication to the national cause. It is only by our own skills and efforts that we can hope to solve the numerous problems facing the country. 1977 has been a year of historical changes and people's expectations in the political and economic fields are high. It is hoped that the

new direction that is being given to the industrial policy of the country will help in the creation of a just and equitable society in which the benefits of industrial development will be shared by all the people.

NOTES AND REFERENCES

1. Ghosh, Alak - Indian Economy its Nature and Problems. A New - look Indian Economics , Calcutta, The World Press Private Ltd. 1984-85, p. 357.

2. This has now been increased to 502. Sinha, R. K. - op.cit., p. 157.

3. Ibid. p. 163.

4.5 - INDUSTRIAL POLICY STATEMENT 1980

The Indira Gandhi Government which replaced the Janata/Lok Dal /Congress (I) Alliance Government at the Centre in January 1980 understandably came up with its own policy, more particularly in view of the industrial stagnation that had been witnessed in the immediately preceding year. According to the pre-Budget Economic - Survey, 1979-80, released in June, 1980, the index of industrial production had in fact declined (by 0.8 percent in the first eleven months of 1979-80) as against the sizeable rise of 7.8 per cent in 1978-79. The Minister of State for Industry, accordingly, made a comprehensive statement on the Government's new industrial policy in the Lok Sabha on July 23, 1980. The Industrial Policy Resolution 1956 has served as the corner stone of the Congress Government policy frame for the past quarter of a century. The industrial policy announcement of 1956 in fact reflects the value system of our country and has shown conclusively the merit of construction flexibility. In terms of this resolution the task of raising the pillars of economic infrastructure in the country was entrusted to the public sector for reasons of its greater reliability, for the very large investments required and the longer gestation periods of the projects crucial for economic development. The 1956 resolution, therefore, forms the basis of this statement.

It is important to note that the industrialisation in a developing country has two aspects viz. optimum utilisation of installed capacity and expansion of industries. The industrial progress in India during the past three decades can be attributed to the policies pursued by the Congress government. While the country had reached a take off stage onwards mid - 1970s both the growth channels - optimum utilisation of installed capacity and expansion of industries were choked off by the 33 months - rule of the janata Party and its successor government. The run away of the economy has been damaged by the two governments and the entire process of development was put in reverse gear.

It must be said that the first task before us is the revival of the economy which is presently inhibited by infrastructural gaps and inadequacies in performance. This put the economy into vicious circle of storage of major industrial inputs like energy transport and coal. To normalise the situation, Government are working on war-footing to break this vicious circle and to put the economy again on its feet.

There is no ~~dyeing~~ denying the fact that industrialisation is a sine qua non of economic progress. Our Government is committed to rapid and balanced industrialisation of the country with a view to benefiting the common man in the shape of increasing availability of goods at fair prices, larger employment and higher per capita income. A higher standard of living implies that more of industrial goods go into the consumption basket of the people. Industrialisation is also essential to provide the much needed support for

agriculture and for the development of infrastructural facilities like energy and transport. The net economic impact of industrialisation must travel down ultimately to the maximum number of people.

The pattern of distribution of benefits of industrialisation should be such as to cover as large a segment of the country's population, both rural and urban, while avoiding economic concentration in a few hands. New thrusts need to be made to establish a dynamic industrial economy as indicated in the election manifesto of the Congress Party. Now the Congress party has been entrusted with the responsibility of the Government , what is needed above all is a set of pragmatic policies which will remove the constraint to industrial production, act as catalysts for faster growth in the coming decades, within the following socio-economic objectives :

(a) Optimum utilisation of the installed capacity.

(b) Maximizing production and achieving higher productivity.

(c) Higher employment generation.

(d) Correction of regional imbalances through preferential development of industrially backward areas.

(e) Strengthening of the agricultural base by according to a preferential treatment to agro-based industries, and promoting optimum inter-sectoral relationship.

(f) Faster promotion of export-oriented and import substitution industries.

(g) Promoting economic federalism with an equitable spread of investment and the dispersal of returns amongst widely spread over small but growing unit in rural as well as urban areas.

(h) Consumer protection against high prices and bad quality.

An unfortunate development during the recent political vacuum in the country has been an erosion of faith in the public sector which has been reflected in its rather poor performance in recent years, public sector, which was conceived to provide the pillars of the country's economic infrastructure, was rendered hollow. The gigantic task before us, therefore, is to rehabilitate faith in the public sector. We have not only to restore people's faith in the public sector, but also effective operational systems of management in the public sector undertakings. The public sector has to be identified as people's sector and not as 'Nobody's sector' as was rendered by the last Government. Public sector constitutes as substantial segment of industrial activity in the country and its contribution in terms of generating surpluses and employment for further growth of the economy needs to be improved.

The salient features of the new policy are as follows:

I. Unit by Unit Examination for corrective steps -- Government has decided to launched a drive to revive the efficiency of public sector

undertakings. Industrial undertakings in this sector with closely examine on unit by unit basis and corrective action will be taken in terms of a time bound programme wherever necessary. Some of the units were allowed to get into chronic problems and instead of contributing surpluses, tended to put a drain on the public exchequer. Priority will be accorded to convert losing concerns into viable one's through broad restructuring of the system and by providing dynamic and competent management.

II. Management Cadre -- On the positive side, public sector will continue playing an increasingly important role. Part of the reason for unsatisfactory performance of some of the units in the public sector has been the absence of proper management cadre. It is proposed to take effective steps to build the public sector undertakings and emphasis will be placed on developing management cadres in functional fields such as operations, finance marketing and information systems.

The Government would pursue the goal of a vibrant self-reliant and modern economy in which all sectors and all segments of the society have a positive role to play. The industrial policy resolution of 1956 assigned a role for industrial undertakings in the private sector within the framework of socio-economic policy of the state and subject to certain regulations in terms of relevant legislation. Government recognizes that it would be, in general, undertakings to develop in consonance with targets and objectives of national plans and policies but shall not permit the growth of monopolistic tendencies or concentration of economic power and wealth in a few hands.

III. Economic Federalism -- According to the policy statement, it will be Government's endeavour to reverse the trends of the last three years towards creating artificial division between small and large-scale industry under the misconception that these interests are essentially conflicting. While making all efforts towards integrated industrial development, it is proposed to promote the concept of economic federalism with the setting up of a few nucleus plants in each districts, identified as industrially backward, to generate as many ancillaries and small and cottage units as possible.

IV. Nucleus Plants -- The policy has introduced a new concept - that of nucleus plant. A nucleus plant is one which would concentrate on assembling the products of the ancillary units falling within its orbit on producing the inputs needed by a large number of smaller units and making marketing arrangements. The nucleus will also ensure a widely adequate spread pattern of investment and employment and will distribute the benefits of industrialisation to the minimum possible. The nucleus plants would also work for upgrading the technology of small units. Small is beautiful only if it is growing just as the phased manufacturing programme with a view to reducing reliance on imported components and materials played as important role in diversifying our industrial structure, carefully worked out time bound programme for greater ancillarisation of industry and growth of entrepreneurship.

V. Redefining of Small Scale Units --- In order to boost the development of small scale industries and to ensure their rapid growth,

Government had decided :

(i) to increase the limit of investment in the case of tiny units from Rs. 1 lakh to Rs. 2 lakhs.

(ii) to increase the limit of investment in the case of small scale units from Rs. 10 lakhs to Rs. 20 lakhs, and

(iii) to increase the limit of investment in the case of ancillaries from Rs. 15 lakhs to Rs. 25 lakhs.

This would eliminate the tendency to circumvent the present limit by understanding the value of machinery and equipment, falsification of accounts or resort to 'benami' units. The enhancement of the limit in terms of investment in plants and machinery will also help genuine small scale units particularly qualified entrepreneurs to come up. This measure will also facilitate long overdue modernization of many of the existing small scale units.

(v) Financial Support to Small Units - One of the major constraints to the growth of decentralised sector has been the difficulties of finance experienced particularly by industrial entrepreneurs in small, cottage and rural sectors. Although there is adequate net work of institutional finance, yet there is need for coordinating the flow of capital both short term and long term. Government would evolve a system of coordination to ensure the flow of credit to the growing units in the decentralized sector at the right time and on appropriate terms. Government propose to strengthen the existing

arrangements and make such changes as may be necessary to facilitate the availability of credit to the growing units in the small scale sector.

In order to assist the growth of small scale industries it is proposed to introduce a scheme for building up of buffer stocks of essential materials which are often difficult to obtain. For this the existing set up such as small industries development corporations in the states and the national small industries corporation in the Centre will also be utilized. Special needs of states which rely heavily on a few essential raw materials will receive priority.

(vi) Marketing Support and Reservation of items for Small Scale Industries --- Polities regarding marketing support to the decentralized sectors and reservation of items for small scale industries shall continue to be in force in the interest of growth of the small scale industries.

(vii) Village Industries -- Government is determined to promote such a form of industrialisation in the country as can generate economic viability in the villages. Promoting of suitable industries in the rural areas will be accelerated to generate higher employment and higher per capita income for the villages in the country without disturbing the ecological balance. Handlooms, handicrafts, Khadi and other village industries will receive greater attention to achieve a faster rate of growth in the villages.

(viii) Correcting Regional Imbalances --- Industrialisation will play an important role in correcting the regional imbalances and reviving the

industrial growth to lead the economy once again to the take of stage. For the achievement of this goal, Government have decided to encourage dispersal of industry and setting of units in industrially backward areas. Special concessions and facilities will be offered for this purpose and these incentive will be growth and performance oriented.

(ix) Evaluation of Incentives --- In the past numerous incentives have been provided to industries from time to time. It is Government's considered view that all incentives given to industry must be performance oriented. It is, therefore, proposed, that a regular periodic assessment will be made of the impact of these incentives to see the extent to which they have fulfilled their initial purpose. Unless it is apparent that the purpose is being served Government will review that system of incentives.

(x) Generation of Employment and Higher Production --- Industrial development has to be viewed in the broader context of generating higher production and employment. Overcoming the problems of poverty and backwardness need a multipronged approach. An integral part of third approach would be to create new focal points of industrial growth which have the maximum affect on the quality of life. This will have to be based essentially on the utilization of local materials and locally available manpower. The ripple effect of substantial investments in backward districts in the past has in many cases not been adequate, mainly because such investments did not have effective linkages with local resources. Government, therefore, propose to encourage investment by public and private sector which will

meet these criteria and would also promote a network of spread out ancillaries.

(xi) Endorsement of Licences to Reflect Existing Productive Capacity --- In 1975, Government had taken certain decisions in regard to the recognition of additional capacities as a result of replacement and modernization of equipment, liberalization of investment procedure for stimulation production in certain selected industries and for endorsement of excess production over licensed capacity on the basis of a simplified procedure. Government feels that in several industries which are important from the point of view of national economy or are engaged in production of articles of mass consumption, the productive capacity endorsed on the original licences or as amended in terms of the 1975 notification may not reflect the full productive potential of the unit. As a result of increased labour productivity or technological improvements, the productive capacities may have increased. Government propose to recognize such capacities on a selective basis. It would not be in public interest to permit licensing procedures or a rigid locational policy to stand in the way of maximizing production. The necessary notifications listing the industries, and spelling out the simplified procedures for such endorsement will be issued separately.

In view of the constraints on resources in a developing country like ours, and also taking into account the considerable increase in the prices of capital goods, particularly those required to be imported, restrictions are placed on the fullest utilization of the existing industrial capacities which have direct linkages with the core sector, and industries which have a long

term export potential. All these industries are of basic, capital and strategic importance for the growth of the economy. In February 1973, Government had announced a list of such industries following the classification of industries, mentioned in the first schedule to the Industries (Development and Regulation) Act, 1951. Later in 1975, Government had permitted the facility for automatic expansion in respect of 15 industries. The extent of increased capacity permitted in respect of these industries was limited to 5 percent per annum or 25 percent in a five year plan period and could be undertaken in one or more stages. This expansion was to be in addition to the normal permissible expansion in production by 25 percent of the approved capacity. Government have now decided that this facility will also be extended to other industries included in Appendix I. In this behalf, the necessary notifications will be issued separately.

(xii) Export Oriented Units --- Industry must contribute its share increasing a more favourable balance of trade by catering to the ever increasing foreign markets. Government would sympathetically consider requests for setting up 100 percent export oriented units, requests for expansion of existing units exclusively for purposes of export and for allowing higher production for exploiting fully the emerging export opportunities.

(xiii) Advanced Technology for Economics of Scale ------- In a number of cases Indian industry has not been able to compete in markets abroad because the scale of output which is related to the level of domestic demand is too small to give them the advantages of modern technology and

economics of scale. In cases where a larger production base would increase the competitiveness of Indian industry abroad Government will consider favourably the induction of advance technology and will permit creation of capacity large enough to make it competitive in world markets, provided substantial exports are likely. The purpose of introducing such a policy would be not only to encourage exports but also to enable industry to produce better quality products at lower costs which will ultimately benefit the consumer in terms of price and quality.

(xiv) Research and Development --- The Indian industry must earmark substantial resources for R & D to constantly up date technologies with a view to optional utilization of scarce resources, better services to the consumer and achieving greater exports. We also have to lay greater emphasis on bringing the benefits of the latest R & D to the medium and small units.

(xv) Transfer of Technology --- Government will take active measures to facilitate transfer of technology from efficiently operating units to new units. Companies which have well established R & D organisations, and have demonstrated their ability to absorb, adopt and disseminate modern technology will be permitted to import such technology as will increase their efficiency and cost effectiveness. This will not only lead to saving of foreign exchange but would also ensure self-sufficiency and higher foreign exchange earnings.

(xvi) Modernization Packages --- 'Modernization Packages' will be evolved to suit the requirement of heavy industry, and will include all aspects, i.e. appropriate location and optimum use of energy and the adoption of the right kind of scale and technology in order to minimize costs and improve efficiency in the use of scarce materials, the supply of which come from non-renewable sources. It will be Government's endeavour to ensure that the process of modernization percolates down to small units and the villages, as in the case of the large scale modern industry, the new processes and technologies must replace the old and the traditional ones in the decentralized sector also, improved tools and techniques which will contribute to higher productivity and reduce the drudgery are an essential ingredient of the modernization. Government will review the present arrangements in terms of special facilities and incentives such as soft loans, establishing of proper linkages in the field of marketing and strengthening the credit facilities particularly for the decentralised sector.

(xvii) Energy - Industry Dovetailing ------- Until recently, little effort has been made in dovetailing the industry and energy policies. Nor has enough attention been paid to the effect of industrial growth on environment and pollution of air and water. Government have decided that such industrial processes and technologies as would aim at optional utilization of energy or the exploitation of alternative sources of energy, would be given special assistance, including finance on concessional germs.

(xviii) Pollution Control --- Similarly activities which have a direct bearing on and will contribute to improve environment and reduce the deleterious effects on pollution of air and water would also be made eligible for special assistance on appropriate terms. Government will examine the present scheme for soft loans with a view to including in it activities related to energy conservation exploitation of non-traditional sources of energy like solar energy and control of water and air pollution and also such other specific industrial activities as are in urgent need of modernization and up-gradation of technology. This will be a continuing exercise and the list of industries eligible for soft loan scheme will be reviewed from time to time.

(xix) Preserving Ecological Balance -- Government are committed to the preservation of ecological balance and for improving living conditions in the urban centre of the country. In pursuance of this policy and with a view to encouraging the dispersal of industry, steps have been taken to prevent the growth of industry in the metropolitan cities and larger towns. Setting up of new industrial undertakings within limits of such urban centres is not permitted.

However, in the implementation of this policy, Government propose to remove genuine difficulties, without detriment to the basic objectives. It is, therefore, proposed to provide for selective relaxation to enable, utilization of already installed capacities, to provide for natural growth and to encourage production for export. The requisite simplification and procedural changes

in the application of the present locational policy are being announced separately.

(xx) Streamlining Licensing Procedures -- There has already been considerable simplification and streamlining of licensing procedures. Nevertheless, there is scope for further improvement in reducing the period of time taken for disposal of application for the creation of new capacities proposals for substantial expansion, and the production of new items. It is proposed to speed up the processes of examination and decision-making and also to examine the possibilities of further rationalisation and simplification of the system of industrial licensing.

(xxi) Monitoring System and Data Bank --It is also proposed that in future, the agencies connected with the issuance of letters of intent/industrial licenses but would also evolve a comprehensive system of monitoring the implementation of the schemes. For this purpose, it is proposed to build up a data bank on the progress of various licensed/registered investment schemes.

The objectives of the data bank will be to have, in respect of all major investment proposals, information regarding the progress in regard to the import of capital goods, the status in regard to the application for term lending and also the physical implementation of the scheme. The establishment of such a data bank will also enable Government to ensure that where parties have wilfully failed to implement the letters of intent or have tried to pre-empt capacity are dealt with suitably.

(xxii) Industrial Sickness : Devising an Early Warning System -- Government are concerned at the growing problem of sickness in a large number of industrial undertakings. While it is recognised that it would be in the national interest to protect the investments in these undertakings by appropriate remedial action, it is also the view of Government that deliberate mismanagement and financial improprieties leading to sickness should be dealt with firmly. Various all India financial institutions have set up early stage with a view the taking necessary corrective action. To ensure this the Government propose to introduce a checklist to serve as an early warning system for identifying symptoms of sickness.

(xxiii) Merger and Amalgamation --- In the case of existing sick undertakings which show adequate potential for revival, it would be the policy of the Government to encourage their merger with healthy units which are capable of managing the sick undertakings and restoring their viability. For this purpose, the existing tax concessions under Section 72-A of the Income Tax Act will be made more liberally available to Amalgamation proposals which will serve the purpose of revival of sick units. The existing guidelines will be revived with a view the facilitating greater reliance on voluntary mergers of sick units with healthy units which are capable of implementing a viable revival scheme.

It is also Government's policy to ensure that state Governments, the financing institution and the labour co-operate effectively for the revival of the sick units. Recourse to takeover of the management under the Industries

(Development and Regulation) Act will be taken only in exceptional cases on grounds of public interest where other means for the revival of sick undertakings are State Governments will, in appropriate cases, be expected to assume responsibility for the financing and management of the undertaking.

(xxiv) Industrial Relations --- Deteriorating industrial relations in the last three years effected a number of important sectors of economy and led to fall in the industrial production. Government attach great importance to the interests and welfare of labour, but they also consider that the maintenance of constructive and cordial industrial relations in which both labour and management have to cooperate in a responsible manner is essential for the sustained growth of economy. Government have decided to revive the tripartite labour conference and it is hoped that through an attitude of mutual understanding and constructive cooperation it will be possible to establish higher standards of productivity and industrial harmony.

(xxv) Industrial pricing policy -- It is Government's policy that while all reasonable facilities and incentives will be provided to industry, it must recognize and accept its social responsibility particularly in terms of maintaining the price line, avoiding boarding and speculation, and maximising production on an efficient basis. It is proposed to start a dialogue with the industry to ensure that within a stipulated period of time, the prices are rationalized to the benefit of the consumer.

(xxvi) District Industries Centres --- The new policy states that the Government have reviewed the scheme of district industries centres which has not produced benefit commensurate with the expenditure incurred. Government therefore propose to initiate more effective alternatives.

Industrial development is an inter-disciplinary concept. It pertains not only to the manufacturing activity but to all related infrastructural development, licensing and corporate policies, financial, fiscal, trade and pricing policies, industrial relations and management, scientific and technological developments, and broad socio-economic policies. As such, the implementation of the industrial policy requires close and effective coordination and monitoring at various levels at the centre as well as between the centre and the states. Its ultimate success with also depend on the extent of cooperation that industry receives from the other sections of society.

Government of India trust that the objectives set out in this paper and the measures outlined herein to achieve them will receive the support of all sections of the people to enable the country to attain its larger goals, prosperity to its citizens, and the establishment of an egalitarian society.

4.6 - INDUSTRIAL POLICY RESOLUTION-1990

The Industry Minister, Ajit Singh, announced the New Industrial Policy on May 31, 1990 and made a case for the growth of the small-scale industries just on the lines of the steps taken by the Janata Party Government of 1977. On the other hand, an effort has been made to permit blanket liberalisation with a view to accelerate the growth of the medium and large-scale sector. The policy statement gives unfettered right to conclude foreign collaborations in case the royalty payments do not exceed five percent on domestic sales and eight percent on exports. The industrial policy is a curious amalgam of the philosophy of the Janata Dal and the philosophy of indiscriminate liberalisation followed by Rajiv Gandhi.

The main highlights of the 1990 Industrial Policy are as follows:

(a) Higher investment limit for small and medium units.

(b) Stress on technology up-gradation and simplification of procedures, especially for the small-scale sector.

(c) Easier norms for technology transfer.

(d) De-licensing of 100 per cent export-oriented units and units in export processing zones.

(e) Automatic approval of foreign equity upto 40 per cent.

(f) Easier access to imported capital goods, raw materials.[1]

The hike in investment ceiling on plants and machinery for small-scale industries, delicensing of new units upto an investment of Rs. 25 crores in fixed assets in non-backward areas, liberalised norms for foreign collaboration and clearance of upto 40 percent of equity are among the salient features of the new industrial policy. The new policy is designed to re-orient industrial growth to ensure employment generation dispersal of industry in rural areas and to increase exports of small-scale industries. New units set up by MRTP and FERA companies will continue to need clearance under the provisions and regulation of these two Acts, though they would be covered by the procedures set out in the new industrial policy.

The investment ceiling on plant and machinery for small-scale industries goes upto Rs. 60 lakhs from Rs. 35 lakhs. The hike for ancillary units would be from Rs. 45 lakhs to Rs. 70 lakhs.[2] The help boost exports from this sector, the Government has decided to step up their investment in plant and machinery to Rs. 75 lakhs provided they export 30 percent of their annual production by the third year.

In respect of tiny units, the ceiling has been raised from Rs. 2 lakhs to Rs. 5 lakhs. However, as regards location of tiny units the production limit of 50,000 as per the 1981 census would continue to apply.

According to the Document, efforts would be made to identify more items amenable to reservation for exclusive manufacture in the small-scale sector. At present, 836 items are reserved.
The new industrial policy which does away with licensing for all new units upto an investment limit of Rs. 25 crore in non-backward areas. For units coming up in centrally notified backward areas, the licensing exemption limit will be Rs. 75 crore.

The policy also delicenses 100 per cent export oriented units and units set up the export processing zones, provided the investment is not more than Rs. 75 crore. Moreover, such investments will be free from the convertibility clause of financial investments.

It was by another major policy decision, the government has allowed automatic increases in foreign equity in Indian companies upto a level of 40 percent but this is conditional on effective technology transfer from the foreign partner. But at the same time, a stipulation has been placed on imports of capital goods, in such cases. It lays down that the landed value of capital goods so imported should not be more than 30 percent of the cost of the entire plant and machinery of the project.

The existing delicensed industries scheme exempted industries scheme and DGTD registration system will stand abolished under the new policy. For the import capital goods, the entrepreneur would have entitlement to import upto

a landed value of 30 percent of the total value of plant and machinery required for the unit. For imports of raw materials and components, imports would be permissible upto a landed value of 30 percent of the ex-factory value of annual production.

A new scheme of central investment subsidy ex-clusively for the small scale sector in rural and backward areas capable of generating higher level of employment at lower capital cost would be implemented. To improve the competitiveness of the products manufactured in the small-scale sector, programmes for modernisation and up-gradation of technology would be implemented. A number of technology centres, tool rooms, process and product development centres, testing centres, would he set up under the umbrella of an apex technology development centre in small industries development organisation.

The liberalised provision relating to 40 percent foreign investment as well as other liberalisation measures, announced in the new industrial policy, will be applicable to only a specified list of industries, the industry minister, Mr. Ajit Singh, told reporters.

Describing the new policy as a step towards liberalisation, Mr. Singh said it would make the domestic industry internationally competitive and attract foreign investment. Mr. Singh said investment upto 40 percent of the equity would be allowed on an automatic basis to attract foreign investment and effective inflow of technology.

Mr. Singh said the new policy is an effort to begin the process of change which will help the growth of industry in all sectors in the 1990s. An exercise of this type can never be comprehensive and complete. Such policy measures are from time to time as the need arises, he said. He, however, evaded the quarry whether the government in considering any liberalisation measures for MRTP and FERA companies.

The minister estimated that 60-65 percent of all intended investments would not require any clearance from the Union Government at all under the new policy. The remaining 30-35 per cent investment will continue to require the appropriate approvals.

Mr. Singh observed : "We have, therefore, effectively freed the majority of industrial investments from delays which are endemic in a bureaucratic clearance system." He added : "This analysis is based on out experience with the pattern of recent industrial approvals. We will monitor the pattern of new industrial investments and act accordingly." Mr. Singh pointed out that in 1989, about 1,200 letters of intent, 1,200 delicensed registrations and about 920 registrations under the EIR scheme were issued by the industry ministry. In addition to these, 386 DGTD registrations were issued making for a total of about 3,700 licence related approvals. Almost 90 per cent of these approvals, fall within the specified investment limit of Rs. 25 crore in non-backward areas and Rs. 73 crore in backward areas. Moreover, almost half of these investments do not envisage any import of capital goods.

In addition about 10-15 percent of there investment require imported capital goods of less than 30 percent of their total value of plant and machinery. The industry minister is also trying to frame post-industrial approvals procedures such as release of foreign exchange for import of know-how and capital goods.

Major trade, industry and export organisation have welcomed the new industrial policy placed by the union industry minister, Mr. Ajit Singh, before Parliament on 31st May, 1990. Welcoming the new industrial and foreign investment policy, the Ficci President, Mr. Raunaq Singh, has said that it will go a long way in creating a conductive investment climate, increasing the flow of foreign investment and technology and stimulating industrial growth.

The exemption limit for purposes of industrial licensing has been raised. This is a good step, the Facci President said, which will eliminate nearly 80 percent of the applications for industrial licensing and help speed up clearance of applications for large products.

The Assocham President, Mr. Viren J. Shah has observed that the positive features of the policy include automatic approval of foreign equity upto 40 percent without any obligation, easier norms for import of capital goods, raw materials and components, delicensing of new units, 100 per cent EQUs and units to be set up in export processing zones upto certain investment limits, simplification of technology transfer, changes in

broadbanding scheme and locational policy and various measures to promote growth of small scale and tiny sector.

The FIED President, Mr. Ramu Deore, observed that the exporting community is extremely obliged and grateful to the government for conceding several recommendations made by the Federation of Indian Export Organisation in different form for the last several years. The steps taken will definitely boost export production, Mr. Deora said. The most important concession announced by Mr. Ajit Singh, according to Mr. Deore, is the government decision to increase the investment limit for the small scale sector from the existing Rs. 35 lakh to Rs. 60 lakh and further to Rs.75 lakh in case of units exporting more than 30 per cent of the product within the next three years.

The Bharat Chamber of Commerce President, Mr. Jagmohan Khemani, felt more jobs would be created as a spin-off of the new policy.

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4.7 - A COMPARATIVE SURVEY OF INDUSTRIAL POLICY RESOLUTIONS (1948 - 1990)

In the light of the earlier discussion, an attempt is being made to a comparative survey of the Industrial Policy Resolutions from 1948 to 1990.

In the lines that follow, the cardinal features of the 1948 Industrial Policy Resolutions have been pointed out. Immediately after the Independence, the Government of Indian announced its industrial policy in April, 1948. The aim was to have a mixed economy where the public sector and private sector were expected to operate side by side. In pursuance of this, industries were divided into four categories :

(a) exclusive Government monopoly in arms and ammunition, atomic energy and railway transport;

(b) Government controlled new undertakings in coal, iron and steel, telephone, telegraphs, aircraft and ship-building, etc;

(e) other industries under co-operative and private enterprise. This policy also underlined the role of cottage and small industries and of foreign capital in industrialising the Indian economy.

The salient features, of the 1948 Industrial Policy Resolution were :

(1) the Government would concentration more on starting new concerns instead of taking on the old ones;

(2) wherever private enterprise was working, it would be given full encouragement;

(3) if any old enterprise is taken over by the Government due compensation would be paid;

(4) foreign concerns working in India would be allowed to work and they would be free to send their profits abroad;

(5) if the foreign concerns are taken over by the Government, due compensation would be paid;

(6) more foreign capitals would be invited to participation in the Indian economy;

(7) taxation would be so devised as not to hamper the private enterprise;

(8) there should be no concentration of wealth in the hands of a few;

(9) workers would be paid fair wages and the standard of living of

the people, with justice and equality of opportunity for employment for all would be revised;

(10) increase in the national wealth; instead of the redistribution of the national wealth, was emphasised.

The 1956 Industrial Policy Resolution differed from the 1948 Industrial Policy Resolution in a number of way. The 1956 Resolution is a definite advance over its predecessor. A few points need to be noted. Firstly, the sphere of the public sector has been substantially expanded. The 1948 Industrial Policy Resolution included three industries in category I and six in category II. Against these the 1956 Industrial Policy Resolution includes seventeen industries in Schedule I and twelve in Schedule II. The public sector had a much wider field to itself. Secondly, the 1956 Industrial Policy Resolution was more flexible than that of 1948 Industrial Policy Resolution. Private enterprise was permitted to function independently or in collaboration with the state in respect of industries included under Schedule I and II, except in case of arms and ammunitions, atomic energy, railway and air transportation which were state monopolies. Thirdly, the 1956 Industrial Policy Resolution envisaged more cordial relations between the two sectors. It promised greater co-operation between the two sectors. The division of industries into separate categories did not imply that they were being placed in water-tight compartments. Inevitably, there was no area of over lapping but also great deal of dovetailing between industries in the private sector and public sector.[1] Fourthly, the policy promised fair and parity treatment to

the private sector. When there exists in the same industry both privately and publicly owned units, it would continue to be the policy of the State to fair and non-discriminatory treatment to both of them. Fifthly, the Government abandoned the overall programme to nationalise private industry belonging to the category reserved for the public sector. The earlier condition that the status of private undertakings falling within the field reserved for the exclusive responsibility of the State was dropped. It made no reference to the acquisition of property by the State. Sixthly, a steadily increasing proportion of the activities of the private sector was developed along co-operative lines. Seventhly, in respect of industrial labour, cottage and small scale industries the 1956 Industrial Policy Resolution was an advance over that of 1948 Industrial Policy Resolution. In respect of the former it emphasises greater participation and association in the management of industries. In regard to the latter, it emphasised the need for improvement in technique and productivity. Lastly, setting out some of Nehru's basic ideas on industrialization, the Resolution of 1956 retained sufficient ambivalence very clearly to placate uncommitted elements at home and abroad and was made flexible enough to make room for different interpretations and attitudes. This has enabled successive governments to accommodate other viewpoints without making any alteration in the policy statement.

The most significant contribution made by the two Industrial Policy Resolutions was indeed to be seen in the new thrust of industrial investment in the economy as a whole. Private sector investment zoomed in the wake of

public sector expansion. The industrial aspect of the Second Plan was little more clarified in the Industrial Policy Resolution which the Government of India issued in April, 1956. The 1956 Resolution which was the revised version of the 1948 Industrial Policy Resolution in the light of new developments, emphasised little more the expansion of the public sector and its role in relation to the private sector. The Industrial Policy Statement of 1973 differed from the 1948 Industrial policy Resolution in a number of ways.

(i) The spheres of the public sector was substantially expanded. The 1948 Industrial Policy Resolution included only three industries in category I and six in category II. Against these the 1973 Industrial Policy Resolution included nineteen more industries consisting of basic, critical and strategic industries in the economy. A consolidated list of such industries is attached in Appendix I of the 1973 Industrial Policy Resolution.

(ii) Industrial Policy Statement of 1973 introduced the new concept of joint sector which was absent in the 1948 Industrial Policy Resolution. Its main objective was to reduce the concentration of economic power. In appropriate cases, the central and state Governments have taken equity participation either directly or through their corporations with private parties. Some joint sector units came up in this way. The joint sector was used mainly as a promotional instrument and for benefit of the small investors.

(iii) The 1973 Industrial Policy Statement was more flexible than

that of 1948 Industrial Policy Resolution. The policy was to provide for a flexible approach in the development of industries with the public, private and co-operative sector. The Industrial Policy Statement of February, 1973 should be reviewed as a supplement to the Industrial Licensing Policy of 1970. Therefore, it paid greater attention in defining the role of the private sector with particular reference to the larger industrial houses. But in the 1948 Industrial Policy Resolution, private enterprises were permitted to function independently or in collaboration with the State in respect of industries included under Schedule I and II, except in case of arms and ammunitions, atomic energy, railway and air transportation which were State monopolies.

(iv) The 1948 Industrial Policy Resolution underlined the role of cottage and small industries and of foreign capital in industrialising the Indian economy. They are to be developed on co-operative lines as far as possible and are to be co-ordinated and integrated with large-scale industries. Where as the cooperative sector and small and medium industries were to be encouraged and assisted in the development of additional capacity in agro-industries and mass consumption goods under the 1973 Industrial Policy Statement.

In short, joint sector enterprises of 1973 Industrial Policy Statement represented an application of the concept of mixed economy at the micro level. However, the main merit of 1948 Industrial Policy was in its sincere endeavour to prepare the ground for a mixed or controlled economy in which 60th private and state enterprises are assigned distinct spheres of action.

This mixed economy idea forms the basis on which industrial programmes of our Five Years Plans have been formulated.

The Industrial Policy Resolution of 1948 differed from the 1977 Industrial Policy Resolution in a number of ways.

(a) The Industrial Policy Resolution of 1948 laid down the general objectives as:

(i) establishment of a social order where justice and equality of opportunity could be secured for all the people; (ii) promotion of a rapid rise in the standards of living of the people by exploiting the latent resources of the country; (iii) increasing production; and offering opportunity to all for employment in the services of the community;

However, the broad objectives of the 1977 Industrial Policy are as follows:

(i) Doubling the rate of growth of national income from 3.5% to 7% per annum. (ii) A rapid increase in the rate of growth of industrial production. (iii) Creating much larger employment opportunities and (iv) Reducing wide regional disparities and imbalances.

From the above it is clear that the objectives of (ii) and (iii) of both the Resolution (1948 and 1977) are more or less same, but the objectives of (i) and (iv) of the 1977 Industrial Policy Statement are totally different from

that of 1948 Industrial Policy Resolution.

(b) Though the 1948 Industrial Policy Resolution underlined the role of cottage and small scale industries in industrialising the Indian economy.

However, the Policy Statement of 1977 and its main thrust on effective promotion of cottage and small industries.[2] It was decided that whatever can be produced by small and cottage industries must only be so produced and the list of industries exclusively reserved for the small-scale sector was significantly expanded. Within the small scale sector, it was proposed to give special attention to units in the tiny sector - that is those with investment in machines and equipment upto Rs. 1 lakh and situated in towns with a population of less than 50,000[3]

(c) Appropriate technology was an integral part of the 1977 Industrial policy to ensure that the development and application of technology appropriate to the country's socio-economic conditions receives adequate attention. Special arrangements was made to ensure an effective and coordinated approach for the development and widespread application of suitable small and simple machine and devices for improving the productivity and earning capacity of workers in small and village industries.

However, 'appropriate technology' was not an integral part of the 1948 Industrial Policy. More foreign capitals were invited to participate in the Indian economy under the 1948 Industrial Policy Resolution.

However, in the 1977 Industrial Policy Resolution the provisions of Foreign Exchange Regulation Act was strictly enforced as far as the existing foreign companies were concerned. After dilution of equity, companies with direct nonresident investment not exceeding 40 percent was treated generally on par with Indian companies, and their future expansion was guided by the principles as those applicable to Indian companies.

(e) In the 1977 Industrial Policy Statement, there was an expanding role for the public sector in several fields. The public sector was not only be the producer of important and strategic goods of basic nature, but it was also used effectively as a stabilising force for maintaining essential supplies for the consumer.[4] It was charged with the responsibility of encouraging the development of a wide range of ancillary industries and contribute to the growth of decentralised production by making available its expertise in technology and management to small-scale and cottage industry sectors. The Government also endeavoured to operate public sector enterprises on profitable and efficient lines in order to ensure that investment in these industries paid an adequate return to society.

Against these, the 1948 Industrial policy Resolution included three industries in category I and six in category II. Therefore, the scope of public sector was limited in 1948 Industrial Policy.

(f) The 1977 Industrial Policy could not be implemented for long because the Janata rule lasted a short while.

In contrast, the 1948 Industrial Policy was in force for eight years (i.e., upto 1956) and during this period private investment in industries increased considerably.

Again, the 1948 Industrial Policy Resolution differed from the 1980 Industrial Policy Resolution in the following way:

(a) The objectives of the 1948 Industrial Policy are as follows:

(i) establishment of social order where justice and equity of opportunity could be secured for all the people; (ii) promotion of a rapid rise in the standard of living of the people by exploiting the latent resources of the country; (iii) increasing production ; and (iv) offering opportunity to all employment in the services of the community.

However, the Policy Statement of 1980, reiterated some of the socio-economic objectives like optimum utilisation of installed capacity, higher employment generation, correction of regional imbalances, strengthening of agricultural base, faster promotion of export-oriented and import-substitution industries, consumer protection against high prices and bad quality, etc.

From the above, it is clear that the objectives of Industrial Policy Statement of 1980 were much broader than that of 1948 Industrial Policy Resolution. The objective outlook of 1980 Industrial Policy Statement totally differed from the objective outlook of 1948 Industrial Policy Resolution.

(b) The sphere of the public sector was substantially expanded. The 1980 Industrial Policy Statement laid emphasis on improving the performance of the public sector for generating surpluses and employment for further growth of the economy. For this, the efficiency of public sector undertakings was revived by closely examining them of a unit-by-unit basis and by providing dynamic and competent management. On the positive side, public sector continued to play an increasing important role. Emphasis was placed on developing management cadres in functional fields such as operations, finance, marketing and information system.

However, the 1948 Industrial Policy Resolution included only three industries in Category I and only six in Category II in the context of public sector. Therefore, from the above analysis it is clear that the role of public sector in 1980 Industrial Policy Statement was vast than that of 1948 Industrial Policy Resolution.

(c) In regard to private enterprise, there was a difference between the 1948 Industrial Policy Resolution and the 1980 Industrial Policy Statement. Apart from three industries in Category I, six industries in Category II and electric power, the rest of the industrial field was normally open to private enterprise, individual as well as cooperative according to the 1948 Industrial Policy Resolution. The state also progressively participated in this field.

On the other hand, the 1980 Industrial Policy Statement decided to pursue the goal of a vibrant, self-reliant and modern economy in which all

sectors and segments would have a positive role to play. In this context, the Government recognised the need to allow the private sector to develop in consonance with the targets and objectives of national plans and policies but shall not permit the growth of monopolistic tendencies and concentration of economic power and wealth in a few hands.[5]

(d) The 1980 Industrial Policy Statement introduced the new concept of nucleus plants, which was absent in the 1948 Industrial Policy Resolution. A nucleus plant is one which concentrated on assembling the products of the ancillary units falling within its orbit on producing the inputs needed by a large number of smaller units and making adequate marketing arrangements.[6] The nuclei also ensured a widely spread pattern of investment and employment and distributed the benefits of industrialisation to the maximum possible. The nucleus plants also worked for upgrading the technology of small units.

(e) As a step towards integrated development, the 1980 Industrial Policy Resolution proposed the concept of economic federalism with the setting up of a few nucleus plants in each districts identified as industrially backward, to generate as many ancillaries and small and cottage units as possible.

However, this type of concept of economic federalism was absent in the 1948 Industrial Policy Resolution.

(f) There was a difference between 1980 and 1948 also with regard to Research and Development. The 1980 Industrial Policy Statement proposed that the industry must earmark substantial resources for R and D, to constantly update technologies with a view to optimal utilisation of scarce resources, better service to the consumer and achieving greater exports. There is the need for greater emphasis on the latest R and D to the medium and small scale units.

In comparison to 1980, the 1948 Industrial Policy Resolution did not stress the Research and Development with regard to industrial development.

(g) In the 1948 Industrial policy Resolution, no effort was made on ecological balance.

On the other hand, 1980 Industrial Policy Statement wanted to preserve the ecological balance. In order to preserve ecological balance, new industrial undertakings was not permitted within limits of urban centres and steps are taken to prevent the growth of industry in the metropolitan cities and larger towns.

Form the above discussion, it is clear that 1980 Industrial Policy Statement were too broad than of 1948 Industrial Policy Resolution. Now, we focus attention on the difference between 1948 and 1990 New Industrial Policy Resolution.

(i) The positive features of the 1948 Industrial Policy Resolution were :

(a) The Government would concentrate more on starting new concerns instead of taking on the old ones; (b) wherever private enterprise was working it gave full encouragement; (c) if only old enterprise is taken over by the Government due compensation would be paid; (d) foreign concerns working in India would be allowed to work and they would be free to send their profits abroad; (e) if the foreign concerns are taken over by the Government due compensation would be paid; (f) more foreign capitals would be invited to participate in the Indian economy; (g) taxation would be so devised as not to hamper the private enterprise; (h) there should be no concentration of wealth in the hands of a few; (i) workers would be paid fair wages and the standard of living of the people, with justice and equality of opportunity for employment for all would be raised; (j) increase in the national wealth instead of the redistribution of the national wealth was emphasised.

However, the positive features of the 1990 Industrial Policy Resolution are:

(a) automatic approval of foreign equity upto 40 percent without any obligation; (b) easier norms for import of capital goods; (c) raw materials and components; (d) delicensing of new units; (e) 100 percent EQUs and units to be set up in export processing zones upto certain investment limits; (f) simplification of technology transfer; (g) changes in broadbanding scheme

and locational policy; and (h) various measures to promote growth of small scale and tiny sector.

So, from the above it is clear that the features of 1990 Industrial Policy Resolution are quite different from that of 1948 Industrial Policy Resolution.

(b) According to the 1948 Industrial Policy Resolution, foreign concerns working in India would be allowed to work and they would be free to send their profits abroad.

On the other hand, according to the 1990 Industrial Policy Resolution, foreign concerns can invest upto 40 percent in the equity of an Indian company without official approval provided imported capital goods do not exceed 30 percent of the total value of plant and machinery.

(c) According to the 1948 Industrial policy Resolution, cottage and small-scale industries had a very important role in the national economy offering as they do scope for individual, village or cooperative enterprise, and means for rehabilitation of displaced persons. The healthy expansion of cottage and small scale industries depends upon a number of factors like the provision of raw materials, cheap power, technical advice, organised marketing of their produce and, where necessary, safeguards against intensive competition by large-scale manufacture, as well as on the education of the worker in the use of the best available technique.

However, under the 1990 New Industrial Policy Resolution a whole host concessions have been granted to small-scale sector, including a hike in the ceilings on investment, simplification of procedures and redistribution of Central government subsidy which was withdrawn last year.

(d) The 1990 Industrial Policy Resolution delicenses 100 per cent export oriented units and units set up the export processing zones, provided the investment is not more than Rs, 75 crore. Moreover, such investments will be free from the convertibility clause of financial institutions.

This was not so in the 1948 Industrial Policy Resolution.

(e) Under the 1990 Industrial Policy Resolution, the sphere of public sector has been substantially expand that of 1948 Industrial Policy Resolution.

The 1948 Industrial Policy Resolution only included three industries in category I and six in category II. Against these, the 1990 Industrial Policy Resolution included a vast number of industries.

Earlier it was noted that on April, 30, 1956 the Government of India adopted an Industrial Policy Resolution which replaced the 1948 Resolution. The new announcement of the Industrial Policy was considered essential because certain important changes and developments were witnessed during this period of eight years.[7]

Important provisions of the 1956 Resolution were :

(a) New classification of industries as those which were to be exclusive responsibility of the state; those where to be progressively state-owned and in which the state would generally set up new enterprises, but in which private enterprise would be expected only to supplement the effort of the state; and all the remaining industries and their future development would; in general, be left to the initiative and enterprise of the private sector.

(b) Fair and non-discriminatory treatment for the private sector.

(c) Encouragement to village and small scale enterprises.

(d) The need for removing regional disparities.

(e) The need for the provision of amenities for labour and,

(f) Attitude to foreign capital.

The Resolution specially lays down various objectives to be achieved under the Industrial Policy. It is essential (i) to accelerate the rate of economic growth and to speed up industrialisation, (ii) to develop heavy industries and machine making industries; (iii) to expand the public sector; (v) to reduce disparities in income and wealth; and (vi) to prevent private monopolies and the concentration of economic power in different fields in the hands of small number of individuals.

The Industrial Policy Resolution of 1956 was hailed as the economic constitution of India. It was the moving spirit toward industrialisation in the policy framework of the second, third and fourth plans. The Industrial Policy of 1956 continued to operate till the end of the Fourth Plan. But it was amended on the eve of the Fifth Plan by the Industrial Policy Statement of 1973. The Industrial Policy Resolution of 1956 continued to provide the base of the Policy of 1973. The Industrial Policy Resolution of 1956 continued to govern the Government's objectives of growth, social justice and self-reliance in the industrial sphere.[8] For that reason, there was no major differences between the 1956 and 1973 Industrial Policies. Accordingly, the programmes in the public sector were provided for the expansion of industries in Schedule A of the Resolution of 1956. The Public sector was also required to make a significant contribution to the expansion of capacity in essential consumer goods industries like cement, paper, drugs and pharmaceuticals and textiles. The cooperative sector and small and medium industries were to be further encouraged and assisted in the development of additional capacity in agro industries and mass consumption goods. The role of joint sector was reiterated under the 1973 Industrial Policy Statement. However, the major differences between the two Industrial Policy Resolutions are as follows:

Firstly, under the 1956 Industrial Policy Resolution, the state endeavoured to reduce the disparities in industrial development in the different regions of the country and for this purpose provide power, water and transport facilities to the industrially backward regions. Industrial facilities was extended

gradually to those regions where is large-scale unemployment.

However, the 1973 Industrial Policy Statement did not specify anything about the removal of regional disparities and the setting up of industries in backward areas by industrial houses.[9]

Secondly, about foreign capital the 1956 Industrial Policy Resolution followed the 1948 Industrial Policy Resolution which was not clear.

However, for the first time, a clear cut policy with regard to foreign concerns and subsidiaries and branches of foreign companies was laid down under the 1973 Industrial Policy Statement. All such companies were made eligible to participate in the groups of 19 industries specified in Appendix I but were ordinarily excluded from other industries. They were to be on the basis of foreign collaboration with Indian entrepreneurs in the fields of equity capital, know-how and technology. Now, focus may be thrown on the differences between the 1956 Industrial Policy Resolution and the 1977 Industrial Policy Resolution. The main difference between the two were as follows:

(a) The 1956 Industrial Policy Resolution specially laid down various objectives to be achieved under the Industrial Policy. These objectives are as follows:

(i) To accelerate the rate of economic growth and to speed up industrialisation, (ii) to develop heavy industries and machine making industries,

(iii) to expand the public sector, (iv) to build up a large and growing co-operative sector, (v) to reduce disparities in income and wealth and (vi) to prevent private monopolies and the concentration of economic power in different fields in the hands of small numbers of individuals.

However, the objectives of 1977 Industrial Policy Statement ,more or less different from that of 1956 Industrial Policy Resolution. The broad objectives of 1977 Industrial Policy were as follows:

1. Doubling the rate of growth of national income from 3.5 % to 7% per annum.

2. A rapid increase in the rate of growth of industrial production.

3. Creating much larger employment opportunities and

4. Reducing wide regional disparities and imbalances.

(b) In the 1956 Industrial Policy the organised industries were divided into three categories. These type of categorization was not found in the 1977 Industrial Policy Resolution.

(c) In the 1956 Industrial Policy Resolution the sphere of public sector was substantially expanded. This policy includes seventeen industries in Schedule I and twelve in Schedule II.

In the 1956 Industrial Policy, there was an expanding role for the

public sector in different fields. The public sector provided a counter veiling power to the growth of large houses and large enterprises in the private sector. The public sector would not be the producer of important and strategic goods of basic nature, but it would also be used effectively as a stabilising force for maintaining essential supplies for the consumer.[10]

(d) The 1956 Industrial Policy stressed the role of the cottage and small scale industries in the development of the national economy. There special importance in creating immediate large scale employment, in ensuring more equitable distribution of income and in effectively mobilising the latest resources of capital and skill has been emphasised.

However, the stimulation of cottage and small - scale industries in rural areas and towns was the main thrust of the 1977 Industrial Policy.

(e) About foreign capital no new policy was announced under the 1956 Industrial Policy. It emphasised the role of foreign capital in India's economic development as enunciated in the Industrial Policy Resolution of 1948.

However, in the 1977 Industrial Policy Statement, the Provisions of the Foreign Exchange Regulation Act was strictly enforced as the existing foreign companies are concerned. After dilution of equity companies with direct non-resident investment not exceeding 40 percent will be treated generally on par with Indian companies, and their future expansion was guided by the principles as those applicable to Indian companies.

(f) The 1956 Industrial Policy emphasised the need for reducing the regional disparities of growth. Facilities such as power, transport and water supply were increasingly made available to the hitherto backward areas. Each region had to secure a balanced and co-ordinated development of its industrial and agricultural economy. Earlier it was seen that one of the objective of the 1977 Industrial Policy was to reduce the regional disparities and imbalances.

So, from the above it is clear that comparison of the 1977 Industrial policy with the Industrial Policy Resolution of 1956 reveals that there were no major structural changes but only a shift in emphasis. The 1977 policy lays explicit emphasis on small-scale and cottage industries, khadi, handloom and development of rural industries.

In the following lines attempt is being made to focus attention on the main difference between the 1956 Industrial Policy Resolution and the 1980 Industrial Policy statement. The main difference between the two policies were as follows:

(a) The 1956 Industrial Policy Resolution specially laid down the following objectives.

(i) To accelerate the rate of economic growth and to speed up industrialization,

(ii) To develop heavy industries and machine making industries.

(iii) To expand the public sector.

(iv) To build up a large and growing co-operative sector.

(v) To reduce disparities in income and wealth.

(vi) To prevent Private monopolies and the concentration of economic power in different fields in the hands of small numbers of individuals.

On the other hand, while sticking to the spirit of the 1956 Industrial Policy Resolution the new Congress Government announced on July 23, 1980 the new Industrial Policy which included major relaxations and concessions benefiting the small,medium as well as large-scale sector with the triple object of modernisation, expansion and spread to backward areas.

(b) Revival of the economy is the main thrust of the 1980 Industrial Policy Resolution.

This was, however, not so in the 1956 Industrial Policy Resolution.

(c) In the 1956 Industrial Policy Resolution, the government might grant financial assistance to the private sector specially when the amount is involved substantial. The assistance will preferably be in the form of debenture capital. They will be subject to control and regulation of the State in terms of the Industries (Development and Regulation) Act and other relevant legislation.

In the 1980 Industrial Policy, the Government will pursue the goal of a vibrant self-reliant and modern economy in which all sectors and

segments have a positive role to play. In this context, the Government recognised the need to allow private sector to develop in consonance with the targets and objectives of national plans and policies but shall not permit the growth of monopolistic tendencies and concentration of economic power and wealth in a few hands.

(d) The 1956 Resolution emphasises the reduction of disparities in levels of development between different regions so the industrialisation might benefit the economy of the country as a whole. The Resolution vehemently supports the idea of a balanced and co-ordinated development of the industrial and the agricultural economy in each region for attaining higher standards of living.

To correct regional imbalances which have been accentuated in the post, the 1980 policy stressed the encouragement of dispersal of industries and setting up of units in industrially backward areas. Such special concessions and facilities would be offered for this purpose which would be growth and performance oriented.

(e) The 1956 Industrial Policy Resolution emphasised the development of small-scale and cottage industries as they offered scope for individual, village or co-operative enterprise. These industries were regarded suitable for the better utilisation of local resources and for the achievement of local self sufficiency in respect of certain types of essential consumer goods. The Government is also determined to co-ordinate the development

of small industries with large-scale production.

However, in order to boost the development of small scale industries and to ensure their rapid growth, the 1980 Industrial Policy has decided to increase the limit of investment in the case of tiny units from Rs. 1 lakh to Rs. 2 lakhs. In the case of small-scale units, the limit has been raised from Rs. 10 lakhs to Rs. 20 lakhs and from Rs. 15 lakhs to Rs. 25 lakhs in case of ancillary units.

From the above, it is clear that comparison of the 1980 Industrial Policy with the Industrial Policy Resolution of 1956 reveals that there were no major structural changes but only a shift in emphasis. The 1980 Industrial Policy Resolution laid explicit emphasis on small-scale and village industries, revival of the economy, revamping the public sector, economic federalism, nucleus plants, new focal points, advanced technology, modernisation packages, energy utilisation and ecological balance, streamline licensing procedures, monitoring system and Data Bank. In the following lines focus is thrown on the difference between the 1990 Industrial Policy Resolution and the 1956 Industrial Policy Resolution. The highlights of the 1956 Industrial Policy Resolution are as follows:

(a) Industries were classified into three broad categories. The division of industries into three categories does not imply that they had been placed in water-tight compartments.

(b) The Resolution stressed the role of cottage and village and small-scale industries in the development of the national economy.

(c) The state would endeavour to reduce the disparities in industrial development in the different regions of the country and for this purpose provide power, water and transport facilities to the industrially backward regions.

(d) The programme, the industrial development would necessitate the organisation of suitable technical and managerial cadres, extension of training facilities for business management and proper regulations of industrial relations.

However, the main highlights of the New Industrial Policy Resolution (1990) are as follows:

(a) Higher investment limit for small and medium units.

(b) Stress on technology up-gradation and simplification of procedures, especially for the small scale sector.

(c) Easier norms for technology transfer.

(d) De-licensing of 100 percent export oriented units and units in export processing zones.

(e) Automatic approval of foreign equity upto 40 percent.

(f) Easier access to imported capital goods, raw materials.

From the above, it is clear that the 1990 Industrial Policy Resolution are too broad than that of 1956 Industrial Policy Resolution.

Though, the 1956 Industrial Policy Resolution was in force for eight years (i.e., upto 1956) and during this period private investment in industries increased considerably. The immediate apprehensions regarding the circumscribing of the private sector proved unfounded. The Government implemented the policy in a pragmatic manner and in national interest the private foreign investors were permitted to start oil refineries. The policy was taken more as a guiding principle rather than as a rigid formula permitting no deviation.

The Industrial policy of 1956 continued to operate till the end of the Fourth Plan. But it was amended on the even of the Fifth Plan by the Industrial Policy Statement or 1973. This statement reaffirmed that the overall direction of the industrial policy would continue to be governed by the Industrial Policy Resolution of 1956. The 1973 Policy Statement elaborated the controversial concept of joint sector and makes it clear that this will not be used to allow larger houses, dominant undertakings and foreign companies to enter fields from which they are otherwise precluded. The public sector was also required to make a significant contribution to the expansion of capacity in essential consumer goods industries like cement, paper, drugs and pharmaceuticals and textiles.

In the following lines we try to find out differences among the 1977, 1980 and 1990 Industrial policy with that of 1973 Industrial policy Statement. Firstly, draw difference between the 1973 Industrial Policy Statement with that 1977 Industrial Policy Statement. These are the main difference between the two Industrial Policy:

(i) As compared to the 1977 Industrial Policy Statement, the sphere of the public sector in the 1973 Industrial Policy Statement had been substantially expanded. There should be a list of core industries consisting of basic, critical and strategic industries in the economy. A consolidated list of such industries classified under 19 groups which has been mentioned earlier.

(2) The stimulation of cottage and small-scale industries in rural areas and towns was the main trust of the 1977 Industrial Policy.

This was not so in the 1973 Industrial Policy Statement. The existing policy of reservation for the small-scale sector will be continued and the area of such reservation will be extended and production in this sector would grow to meet the increased demand.

(3) The 1977 Industrial Policy Statement laid explicit emphasis on Khadi and Village Industries. In this context, special programmes would be drawn upto increase the share of village industries in the total production of footwear and shops in the country.

However, this was not so in the 1973 Industrial Policy Statement.

(4) In the 1973 Industrial Policy Statement, the role of the joint sector was reiterated. But each proposal for a joint sector enterprise was to be judged and decided on its merits in the light of Government's social and economic objectives. The joint sector was also to play a promotional role in guiding new and medium enterprises in establishing priority industries.

Unlike 1973 policy statement, the 1977 Industrial Policy laid not emphasis on the concept of joint sector.

(5) In the 1973 Industrial Policy Statement, it was the Government's objective to maintain a durable framework of licensing and other connected policies consistent with the basic principles of the industrial policy resolution of 1956 and to further streamline licensing and connected procedures, wherever necessary, for as to expedite the investment process in all its stages.

However, in the 1977 Industrial Policy Statement, Government continued its effort to remove irritants in the industrial approval procedures which come in the way of accelerating industrial development. In order to streamline and simplify procedures and policies relating to industrial licensing as well as imports and exports, Government have set up high level committees which will submit their report shortly.

(6) In the 1973 Industrial Policy Statement, foreign concerns and subsidiaries and branches of foreign companies were eligible to participate

in the industries specified in Appendix one [11] along with other applicants, but will ordinarily be excluded from the industries not included in this list. They were also be entitled as at present to invest in industries where production is predominantly for exports. Their investments will be subject as hitherto, to the guidelines on the dilution of foreign equity and will be examined with special reference to technological aspects, exports possibilities and the overall effect on the balance of payments.

However, in the 1977 Policy Statement, the provisions of the Foreign Exchange Regulation Act was strictly enforced as far as the existing foreign companies are concerned. After dilution of equity companies with direct non-resident investment not exceeding 40 percent was treated generally on par with Indian companies and their future expansion was guided by the principles as those applicable to Indian companies.

(7) According to the 1973 Industrial Policy Statement, large houses were eligible to participate in basic, critical and strategic industries, along with other applicants, provided that the item of manufacturing is not one which is reserved for production in the public sector. This will be easier if production is predominantly for export.

On the other hand, 1977 Industrial Policy Statement was silent on the question of larger houses. This policy statement lays more emphasis on the role of large-scale Industries.

(8) The 1977 Industrial Policy Statement looked into the problem

of sick units. According to the Statement, in future the takeover of management of sick units would be resorted to selectively and this will be done only after careful examination of the steps required to revive the units.

However, the 1973 industrial policy was purely silent on the question of sick units.

Now, we focus attention on the difference between the 1973 Industrial Policy Statement and the 1980 Industrial Policy Statement. The main difference between the two policy statement are as follows:

(a) The objectives of 1980 Industrial Policy Statement were too broad than that of 1973 Industrial Policy Statement. The following are the main socio-economic objectives of the 1980 Industrial Policy : (i) Optimum utilisation of the installed capacity; (ii) maximizing production and achieving higher productivity; (iii) higher employment generation; (iv) correlation of regional imbalances through a preferential development of industrially backward areas; (v) strengthening of the agricultural base by according a preferential treatment to agro-based industries and promoting optimum inter-sectoral relationship; (vi) faster promotion of export oriented and import substitution industries; (vii) promoting economic federalism with an equitable spread of investment and the dispersal of returns amongst widely spread over small but growing units in rural as well as urban areas; and (viii) consumer protection against high prices and had quality.

(b) As pointed out in the Industrial Policy Resolution the adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development requires that the nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a scale which only the State, in the present circumstances, could provide, have also to be in the public sector. In the context of the Approach to the Fifth Five Year Plan, the State will have to take direct responsibility for the future development of industries over a wide field, in order to promote the cardinal objectives of growth, social justice, self-reliance, and satisfaction of basic minimum needs.

However, the 1980 Industrial Policy laid emphasis on improving the performance of the public sector for generating surpluses and employment for further growth of the economy.

(c) As a step towards integrated development the 1980 policy proposed the concept of economic federalism with the setting up of a few nucleus plants in each district identified as industrially backward to generate as many ancillaries and small and cottage units as possible.

As compared to the 1980, the 1973 Industrial Policy said nothing about the concept of economic federalism.

(d) According to the 1973 Industrial policy, the existing policy of reservation of the small-scale sector (involving investment in machinery and

equipment up to Rs.. 7.5 lakhs, and in the case of ancillary industries upto Rs. 10 lakhs) will be continued. The area of such reservation would be extended consistent with potentialities and performance of the small-scale sector.

However, according to the 1980 Industrial Policy Statement, in order to boost the development of small-scale industries and to ensure their rapid growth, the investment limit in the case of tiny units has been increased from Rs. 1 lakh to Rs. 2 lakh; of small-scale units from Rs. 10 lakhs to Rs. 20 lakhs; and of ancillary units from Rs. 15 lakhs to Rs. 25 lakhs.

(e) The 1980 Industrial Policy Statement laid greater emphasis on the latest Research and Development to the medium and small scale units.

However, the 1973 Industrial Policy Statement was silent on the question of latest Research and Development to the medium and small scale units.

(f) The 1980 Industrial Policy Statement wanted to preserve ecological balance. In order to preserve ecological balance, new industrial undertakings was not permitted within the limits of urban centres and steps will be taken to prevent the growth of industry in the metropolitan cities and larger towns.

However, the 1973 Industrial Policy Statement was silent with regard to ecological balance.

(g) One of the main features of the 1973 Industrial Policy Statement was that it elaborates the controversial concept of joint sector and makes it clear that this was not be used to allow larger houses, dominant undertaking and foreign companies to enter fields from which they are otherwise precluded.[12]

However, revival of economy was one of the most important features of the 1980 Industrial Policy Statement. In short, from the above it is obvious to me that 1980 Industrial Policy Statement were too broad than that of the 1973 Industrial Policy Statement.

Lastly, compare the 1973 Industrial Policy Statement with that of 1990 Industrial Policy Resolution, the main difference between the two policy were as follows;

Firstly, the Industrial Policy Resolution of 1956 continued to provide the base of the policy of 1973.

Secondly, in the 1990 Industrial Policy Resolution, the scope of public sector is proposed to be substantially expanded beyond the fields included in the Industrial Policy Resolution of 1973.

Thirdly, in the context of the approach to the Fifth Five Year Plan, the State Industrial sector would cover a wider field to promote growth with social justice, self-reliance and satisfaction of basic minimum needs.

This was not so in the 1990 Industrial Policy Resolution.

Fourthly, the main highlights of the 1990 Industrial Policy were as follows : (i) Higher investment limit for small and medium units; (ii) stress on technology up-gradation and simplification of procedures, especially for the small-scale sector; (iii) easier norms for technology transfer; (iv) delicensing of 100 percent export oriented units and units in export processing zones; (v) automatic approval of foreign equity upto 40 percent; and (vi) Easier access to imported capital goods, raw materials.

On the other hand, the main highlights of the 1973 Industrial Policy Resolution were as follows : (i) The public sector was required to make a significant contribution to the expansion of capacity in essential consumer goods industries like cement, paper, drugs, and pharmaceuticals and textiles; (ii) the cooperative sector and small and medium industries were to be further encouraged; (iii) large industrial houses with assets of not less than Rs. 20 crores were allowed; (iv) foreign concerns and subsidiaries and branches of foreign companies were made eligible to participate in the 19 industries specified in Appendix I but were ordinarily excluded from other industries; and (v) the role of joint sector was reiterated.

So, from the above it is clear that the main highlights are totally different between two industrial policy Resolutions.

The Industrial Policy of February, 1973 should be viewed as a supplement to the Industrial Licensing policy of 1970. Therefore it paid greater attention in defining the role of the private sector with particular reference to

the larger industrial houses. But it virtually failed to identify the joint sector with a view to making use of private expertise and resources in line with the Government's socio-economic objectives.

The Government policy in the sphere of industry since the middle of 1956 has been governed by the Industrial Policy Resolution of 1956. But the results in the industrial field have fallen for short of the declared objectives. The growth of industrial output during the period from 1967 to 1977 except for the year 1976 has been no more than 3 to 4 per cent per annum on an average. The incidence of industrial sickness has been widespread and some of the major industries have been worst affected. The new Industrial Policy (statement on Industrial Policy, December, 1977) must therefore be directed towards removing the distortions of the past so that the genuine aspirations of the people can be met within a time-bound programme of economic development.[13] The Janata Government in its short tenure made a new Industrial Policy Statement in December, 1977 in order to accelerate the pace of industrial development, to rapidly increase the levels of employment, productivity and income of industrial workers and to have a wide dispersal of village and small industries.

The broad objectives of the 1977 Industrial Policy are as follows.

(a) Doubling the rate of national income from 3.5% to 7% per annum.

(b) A rapid increase in the state of growth of industrial production.

(c) Creating much larger employment opportunities and

(d) Reducing wide regional disparities and imbalances,[14]

Now, firstly I focus my attention on the main difference between 1977 Industrial Policy Statement with that of 1980 Industrial Policy Statement.

(i) The stimulation of cottage and small scale industries in rural areas and towns will be the main thrust of the 1977 Industrial Policy.

However, the 1980 Industrial Policy Statement states that the first task of the Government is to revive the economy inhibited by infrastructural gaps and inadequate in performance due to vicious circle of shortages of major industrial imputes like energy, transport and coal.

(ii) Though the 1980 Industrial Policy Statement gives adequate attention on the small scale industries. For instance, in order to boost the development of small scale industries and to ensure their rapid growth the investment limit in the case of tiny units has been increased from Rs. 1 lakh to 2 lakhs; of small scale units from Rs. 10 lakh to Rs. 20 lakh; and of ancillary units from Rs. 15 lakhs to 25 lakhs.

Unlike 1977 Industrial Policy Statement, cottage and small scale industries was not be the main thrust of the 1980 Industrial Policy.

(iii) The 1977 Industrial Policy Statement sought to takeover the

management of sick units would be resorted to selectively and this will be done only after careful examination of the steps required to revive the units. The Government in co-operation with the Reserve Bank have instituted arrangements for monitoring incipient sickness in industrial units so that corrective action can be initiated as soon as there is evidence of mismanagement of financial or technical weakness.

The 1980 Industrial Policy also proposes to deal firmly with cases of deliberate mismanagement and financial improprieties leading to sickness. To ensure this, a checklist will be introduced to serve as an early warning system for identifying symptoms of sickness. In case of sick units which have the potential for revival, the Government will encourage their merger with healthy units which are capable of managing the sick units and restoring their viability. For this purpose, the existing tax concessions under Section 72-A of the Income Tax Act will be made more liberal.

(iv) Apart from socialising the means of production in strategic areas, according to the 1977 Industrial Policy, the public sector provides a counter veiling power to the growth of large houses and large enterprises in the private sector. The public sector will not only be the producer of important and strategic goods of basic nature, but it will also be used effectively as a stabilising for maintaining essential supplies for the consumer. The Government will also endeavour to operate public sector enterprises on profitable and efficient lines in order to ensure that investment in these industries pays an adequate return to society.

Industrial Policy Statement of 1980 however, laid emphasis on improving the performance of the public sector for generating surpluses and employment for further growth of the economy. For this the efficiency of public sector undertakings will be revived by closely examining them on a unit-by unit basis and by providing dynamic and competent management. Emphasis was be placed on developing management cadres in functional fields as operation, finance, marketing and information system.

(v) Appropriate technology was an integral part of the 1977 Industrial Policy to ensure that the development and application of technology appropriate to the country's socio-economic conditions receives adequate attention. Special arrangements will be made to ensuring effective and coordinated approach for the development and widespread application of suitable small and simple machines and devices for improving the productivity and earning capacity of workers in small and village industries.

On the other side, in order to increase the competitiveness of Indian industry in foreign markets, the 1980 Policy proposes the induction of advanced technology and creation of large capacity. Such a policy is meant not only to encourage large capacity. Such a policy is meant not only to encourage exports but also to enable the industry to produce better quality produces at lower costs which ultimately benefit the consumer in terms of price and quality.

(v) To correct regional imbalances which have been accentuated in the past the 1980 Industrial Policy stresses the encouragement of dispersal of industries and setting up of units in industrially backward areas.

Though, one of the objectives of the 1977 Industrial Policy is to reduce the regional disparities and imbalances.

The 1977 policy was somewhat harsh to the large units in the private sector when it stipulated that would have to rely on internally generated resources for financing new projects or expanding existing projects. The financing of large-scale sector does not have to at the same time it would certainly hurt the economy if the large scale sector is not able to function effectively due to shortage of funds. Most of the large industries are not doing well. To enable these units to increase profitability, the Government should not close the door of outside financial resources to the large units. It is heartening to note that the Congress Government, under the leadership of Mrs. Indira Gandhi, which came to power in January, 1980 is specially looking into this problem and are sure to assign a significant role to large-scale sector for the balanced industrial development of the country.

In the light of the above discussion, I shall now focus my attention on the difference between the 1977 Industrial Policy Resolution and the 1990 Industrial Policy Resolution. The main difference between the two industrial policy resolution are as follows:

(a) The Policy Statement of 1977 had its main thrust on effective promotion of cottage and small industries. It was decided that whatever can be produced by small and cottage industries must only be so produced and the list of industries exclusively reserved for the small-scale sector was significantly expanded.

On the other side, one of the highlights of the 1990 Industrial Policy Resolution is higher investment limit for small and medium units. But unlike 1977 Policy Statement, it will not be the main thrust of the 1990 Industrial Policy.

(b) Under the 1977 Industrial Policy Statement, the provision of the Foreign Exchange Regulation Act was strictly enforced as for as the existing foreign companies are concerned. After dilution of equity, companies with direct non-resident investment not exceeding 40 per cent will treated generally on par with Indian companies, and their future expansion will be guided by the principles as those applicable to Indian Companies.

However, under the 1990 Industrial Policy Resolution, the Government had allowed automatic increases in foreign equity in Indian Companies upto a level of 40 percent, but this is conditional on effective technology transfer from the foreign partner. But, at the same time, a stipulation has been placed on imports of capital goods, in such cases. New units set up by MRTP and FERA companies will continue to need clearance under the provisions of these two Acts, though they would be covered by the procedures set out in the new policy.[15]

(c) To create much larger employment opportunity is one of the main objective of 1977 Industrial Policy Resolution.

However, the 1990 Industrial Policy in designed to re-orient industrial growth to ensure employment generation, dispersal of industry in rural areas and to increase exports of small-scale industries.

(d) The industrial policy of 1977 laid stress on the promotion of Khadi and Village Industries. The Khadi and Village Industries Commission presently has 22 Village Industries within its purview but the promotional work in this area has been haphazard and the process has been slow. The Khadi and Village Industries Commission will henceforth work out detailed plans for development on these village industries by adopting modern management techniques.

Though, the nine-page document of 1990 Industrial policy entitled the policy measures for the promotion of small-scale and agro-based industries and changes in procedures for industrial approvals states that the ceiling on investment in plant and machinery for small-scale industries would be raised from the present Rs. 35 lakh. But the 1990 Industrial Policy Resolution neglect the Khadi and Village Industries.

From the above it is clear that both the Resolutions (1977 and 1990) are more or less be the same. Because both the Resolutions were framed by the Janata Party. The main trust of both the Resolutions are effective promotion of small scale and medium industries.

The Industrial Policy Statement announced by the Government on 23rd July, 1980 was meant to facilitate an increase in industrial production through optimum utilisation of installed capacity and expansion of industries. The policy reiterates the Industrial Policy Resolution, 1956 and aims at reversing the serious set-back recently suffered by the industrial sector[16]

The 1980 Industrial Policy has spelt out the main socio-economic objectives as under :-

(a) Optimum utilisation of the installed capacity.

(b) Maximising production and achieving higher productivity.

(c) Higher employment generation.

(d) Correction of regional imbalances through a preferential development of industrially backward areas.

(e) Strengthening of the agricultural base by according to a preferential treatment to agro-based industries, and promoting optimum inter-sectoral relationships.

(f) Faster promotion of export-oriented and import substitution industries.

(g) Promoting economic federalism with an equitable spread of investment and the dispersal of returns among small suit growing units in rural as well as urban areas.[17]

The foremost task identified by the 1980 Industrial Policy was the revival of the economy by solving the problem of shortages of major industrial outputs, like energy, transport and coal.

Now, I focus my attention on the difference between the 1980 Industrial Policy Statement and the 1990 New Industrial Policy Resolution.

(a) The main highlights of the 1980 Industrial Policy may be mentioned:

(i) The revival of the economic structure; (ii) revamping of the public sector; (iii) dynamic role of the private sector; (iv) establishment of economic federalism; (v) setting up of nucleus plants; (vi) encouragement and support to small-sale and village industries by redefining small units, financial support, building up buffer stocks of critical inputs, giving marketing support and reservation of items; (vii) correcting regional balances; (viii) generation of employment and higher production; (ix) liberalisation of existing capacities; (x) promotion for automatic growth; (xi) streamlining of licensing procedures; (xii) encouraging export-oriented units; (xiii) encouragement of research and development; (xiv) transfer of technology; (xv) modernisation packages and energy industry dovetailing; (xvi) setting up monitoring system and data bank; (xvii) evaluation of incentives; (xviii) tackling industrial sickness through mergers of amalgamation; (xix) improving industrial relations; and (xx) adopting of appropriate industrial pricing policy.

However, the main highlights of the 1990 New Industrial Policy Resolution are as follows:

(i) Higher investment limit for small and medium units.

(ii) Stress on technology up-gradation and simplification of procedures, especially for the small-scale sector.

(iii) Easier norms for technology transfer.

(iv) De-licensing of 100 percent export - oriented units and units in export processing zones.

(v) Automatic approval of foreign equity upto 40 percent; and

(vi) Easier access to imported capital goods, raw materials.

(b) The first task of the 1980 Industrial Policy Resolution is to revive the economy inhibited by infrastructural gaps and inadequate is performance due to vicious circle of shortages of major industrial inputs like energy, transport , and coal.

However, revival of economy was not the first task of the 1990 Industrial Policy Resolution.

(c) The 1980 Industrial Policy Resolution proposes to speed up the process of examination and decision-making and also to examine the possibilities of further rationalisation and simplification of industrial licensing procedures.

On the other hand, the 1990 New Industrial Policy which does away with licensing for all new units up to an investment limit of Rs. 25 crore in non-backward areas. For units coming up in centrally notified backward areas, the licensing exemption limit will be Rs. 75 crore. The earlier limits were Rs. 75 crore and Rs. 60 crore respectively.[18]

(d) Realising the importance of industrial exports for a favourable balance of trade, the 1980 Industrial Policy provided for sympathetic consideration of requests for setting up 100 per cent export oriented units, requests for expansion of existing units, exclusively for purposes of export and for allowing higher production for exploiting fully the emerging export opportunities.

However, the 1990 New Industrial Policy delicenses 100 percent export oriented units and units set up the export processing zones, provided the investment is not more then Rs. 75 crore, Moreover, such investments will be free from the convertibility clause of financial institutions.

(e) Under the 1980 Industrial Policy Statement, the Government will take active measures to facilitate the transfer of technology from efficiently operating units to new units. Companies having well established Research and Development organisations and having demonstrated their ability to absorb, adapt, and disseminate modern technology will be permitted to import such technology as will increase their efficiency and cost-effectiveness.

On the other side, under the 1990 New Industrial Policy, the Government has allowed automatic increases in foreign equity in Indian companies upto a level of 40 percent, but this is conditional on effective technology transfer from the foreign partner. But at the same, a stipulation has been placed on imports of capital goods, in such cases.

(f) In order to promote the development of small-scale industries and ensure their rapid growth, the 1980 Industrial Policy has decided to increase the limit of investment in case of tiny units from Rs. 1 lakhs to Rs. 2 lakhs. In the case of small-scale units, the limit has been raised from Rs. 10 lakhs to Rs. 20 lakhs and from Rs. 15 lakhs to Rs. 25 lakhs in case of ancillary units.

However, the nine page document of 1990 New Industrial Policy entitled the policy measures for the promotion of small-scale and agro-based industries and changes in procedures for industrial approvals states that the ceiling on investment in plant and machinery for small-scale industries would ne raised from the present Rs. 35 lakh to Rs. 60 lakh and for ancillary units from Rs. 45 lakh to Rs. 75 lakh. The investment ceiling in respect of tiny units, likewise, will also be increased from the present Rs. 2 lakh to Rs. 5 lakh.

(g) The 1990 Industrial Policy is designed to re-orient industrial growth to ensure employment generation, dispersal of industry in rural areas and to increase exports of small-scale industries.

On the other hand, in order to generate higher product and employment, the 1980 Industrial Policy emphasises on the creation of new focal points of industrial Policy emphasises on the creation of new focal points of industrial growth which have the maximum effect on the equity of life. They will be based essentially on the utilisation of the local materials and the locally available manpower. The Government will encourage both private and public investment towards this direction which will also promote a net work of spread out ancillaries.

The announcement of the new industrial policy came not a day too soon. The industrial situation in the country had been deteriorating fast; not only was there a declaration of the index of industrial production but the index of industrial production showed a negative rate. There was the industrial stagnation in the country. The new policy set out to pull the country out of this morass. The new policy has indeed a wide sweep, but it centres round clarifying the government's new stance in respect of both the public sector and the private sector -- it is only sought to be revamped through better management instead of any grandiose plans of its further expansion.

In respect of the private sector, instead of only preaching serious to it, numerous positive steps have spelt e.g., automatic approval of foreign equity upto 40 percent without any obligation, easier norms for import of capital goods, raw materials and components, delicensing of new units 100 percent EQUs and units to be set up to certain investment limits, simplification of technology, transfer, changes in broadbanding scheme and locational policy,

and various measures to promote growth of small scale and tiny sector.

All in all, the new industrial policy is to be welcomed without any reservations as being pragmatic and sensible. It fits well into the prevailing situation of industrial stagnation.

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CHAPTER - 5

5.1 - A CRITICAL ASSESSMENT OF INDUSTRIAL POLICY RESOLUTIONS

The 1948 Policy was formulated in an atmosphere of piecemeal ~~placement~~ economic Planning dominated by an intense urge for quick nationalisation of private industrial enterprises. Premature economic reasoning instigated the government to put up the threat of nationalisation in the spheres of basic and key industries. This threat of nationalisation after ten years unnerved the private entrepreneurs, retarded capital formation in the private sector and postponed expansion and replacement of plants and equipment in the sphere of basic and key industries. In fact, the government, within two years of the announcement of its industrial policy, had to state categorically that even after ten years it may not be possible to nationalise all the existing units of basic and key industries.

The main shortcoming of the 1948 industrial policy arose not so much from inherent defects in the policy statement as from the lack of integration between the policy and the general procedure of developmental planning. When the industrial policy was formulated the national Government was almost undecided about the nature, magnitude and the procedure of

developmental planning to be initiated in India. As a result of this, the 1948 industrial policy served as a broad indicator of government's attitude towards the industries but could not enunciate, in a concrete and effective manner, government's industrialisation programme in relation to economic development.[1]

The 1948 Industrial Policy was in force for eight years (i.e., upto 1956) and during this period private investment in industries increased considerably. The immediate apprehensions regarding the circumscribing of the private sector proved unfounded. The Government implemented the policy in a pragmatic manner and in national interest the private foreign investors were permitted to start oil refineries. The policy was taken more as a guiding principle rather than as rigid formula permitting no deviation.

There was, however, one weakness in the policy and its implementation. No priorities were laid down, and even if laid down were not followed in practice, State Governments and municipalities (in Madras, U. P. and Bombay) adopted measures to nationalise the electricity supply concerns. Road transport received a very high priority in the nationalisation programme of State Governments. Air transport, though not included in Schedule B, was nationalised. The State Government were launching a large number industrial enterprises though the supply of funds at their command was meagre. The Madras Government bought a paper mill; the U. P. Government planned the starting cement and rayon facilities; the M. P. Government supported two paper mills and an aluminium concern and took over mines; the Bombay

Government sponsored a cement concern; the Assam Government thought of starting a good number of factories. These were without any scheme of priority.

On the other hand, the Government adopted a rigid approach in some cases. It insisted that steel works in future could be undertaken only in the public sector with the harmful consequences of low expansion in steel production and capacity over the First Plan. There was some lack of co-ordination between the various departments of the Central Government of the one hand and the Centre and the State Governments on the other.[2]

The second category of 1948 Industrial policy included coal, iron and steel, aircraft manufacturing, shipbuilding, manufacturing of telephone, telegraph and wireless apparatus, and mineral oils. For these industries it was laid down that State will be exclusively responsible for the establishment of new undertakings. While in the case of existing units the matter would be re-examined at the end of ten years and they would be nationalised, if necessary. This provision discouraged private enterprise. It increased an uncertainty about the future. The period of ten years is much too short to reap the benefits of any investment for improvement and renovation. Since the responsibility of starting new units was assumed by the state, private enterprise lost interest in this category of industries. The result was a drop of industrial production, slowing down of the process of capital formation and a certain amount of industrial depression. There would probably be no harm if the State could step into the gap and start new units. The Government of India

as well as State Governments lacked money, enterprise and skilled personnel necessary for the work. The consequence was a reduction rather than an increase in the industrial activity of the country.

The Industrial Policy of 1948 was theoretically in force throughout the First Five Year Plan. In practice there were a number of noteworthy departures.[3] Air transport was nationalised in 1953, even though it fell in the second category, where there was to be regulation and control only. Similarly, life insurance business in 1953 and Imperial Bank of India 1955 were nationalised, which obviously widened the sphere of state-owned enterprises. Many other government companies like Sindhri Fertilizers and Chemicals Limited (1951), the Hindustan Antibiotics Limited (1954), The National Fertilizers and Chemical Private Limited (1956) were the other enterprises covering spheres which according to Industrial Policy Resolution of 1948 should have been under the ownership of private enterprise subject to regulation and control. But they were opened up as public sector enterprises, because they were treated to be of national importance, and it was in the social interest that they should not be opened up in the private sector. It may also be mentioned that while the State Bank, was created as public corporation in 1955, the demand for nationalisation of commercial banking was rejected on so many occasions. The Government always said : as long as there is a private sector it must be attended to by private banks. It thus follows that there was defined and area of different sectors was limited and in actual practice, on grounds of 'expediency' , 'practicability', 'social interest', and

enterprise on the one hand, could have been opened up by the government, at the other extreme, an industry was refused nationalisation as that it was not the intention of the government to unnecessarily restrict the right of the private sector.

The Industrial Policy was received with mixed feelings. A large section of industrialists welcomed it. It was considered by some to lay down the foundation of 'Democratic Socialism'. Prof. K. T. Shah, an outstanding economist, criticised the policy for its sins of commission and omission. The extreme rightists described the policy as "one-sided" and unduly prejudiced against the capitalists. Further, it was suggested that there was no assurance that the spirit of the Industrial Policy Resolution would be observed by the provinces specially when the industries formed a provincial subject.

Functioning of a mixed economy without friction is a difficult task. In fact, it is far more difficult to run mixed economy than to run a socialistic economy. The problems that confront a mixed economy are much intricate. The activities of the public and private sectors have to be very carefully co-ordinated. There may competition for the scare resources among both the sectors. The mixed economy has to function under a number of controls which are likely to result in fractions and bottle necks.

On the whole, the policy, barring a few cases, worked well. It is no way discouraged private investment in industries. This policy remained in operation for eight years but could make little impact on the industrial scene

of the country because the First Five year Plan was a modest one especially with regard to investment in the industrial sector.[4]

However, the main merit of the 1948 Industrial Policy lies in its sincere endeavour to prepare the ground for a mixed or controlled economy in which both private and state enterprises are assigned distinct spheres of action. This mixed economy idea forms the basis on which industrial programmes of our Five Year Plans have formulated. Between 1948 (the first Industrial Policy Resolution) and 1956 (the end of the First Plan) many import and developments took place in India. The constitution of India was enacted guaranteeing certain Fundamentals Rights and enunciating Directive Principles of State Policy. The Government accepted the socialist pattern of society, as the objective of social and economic policy. Besides, many departures, some of them mentioned above, in the spheres of nationalisation, took place during this period and the government, therefore, brought about a new policy governed by these principles, directions and experiences. In order to realise these objectives it was planned to accelerate the rate of economic growth and to speed up industrialisation and, in particular, to develop heavy industries and machine making industries, to expand the public sector and to build up a large and growing cooperative sector. The new industrial policy, therefore, aimed at making the state in a position to progressively assume a predominant and direct responsibility for setting up new industrial undertakings and for developing transport facilities and undertake state trading on an increasing scale. At the same time as an agency for planned national development, in

the context of the country's expanding economy, the private sector was to have the opportunity to develop and expand. The principle of co-operation was to be applied wherever possible and a steadily increasing proportion of the activities of the private sector was to develop along co-operative lines. Another important development at that time was the passing of the companies. Act in 1956, which provided another instrument to enable Government to regulate more effectively, the organisation and functioning of the private sector in social interest.[5]

The Industrial Policy Resolution of 1956 had been hailed as the "economic constitution" of India. It was the moving spirit toward industrialisation in the policy framework of the second, Third and Fourth Plans consequently, it was instrumental in expanding both the public and private sectors side by side.

However, its implementation and results left much to be desired. First, there was no mention of the role of foreign private investment in the Resolution with the result that multinational corporations continued to thrive on the liberal policy of the Government. Second, the government failed to implement the Resolution pertaining to the small scale sector. Many industrial were reserved for the small scale sector but large industries manufacturing the same products were allowed to operate side by side. Third, it failed to prevent concentration of monopoly and economic power, and reduce regional disparities. Fourth, there were frequent strikes and other labour problems which failed to bring industrial peace. Lastly, this policy led to the setting up

of high cost capital intensive and import substitution industries which resulted in under utilisation of capacity due to input and consumer demand constraints. The 1956 Resolution was criticised by the supporters of private sector. Dr. John Mathal pleaded for making free enterprise the normal practice and confining state enterprises to cases where there was proved necessity for it. Mr. C. H. Bhaba saw in it the beginning of state capitalism and the ultimate extinction of entrepreneurial activities in the country. According to him it was a result of unrealistic thinking of our leaders. Mr. Sngeno Black, the then President of the World Bank thought that the Government was exceeding its capacity. This policy, if rigidly applied, could only result in imposing heavy additional burdens on the already over-strained financial and administrative resources of the public sector and in restricting the rate of development in these important widening fields.(6)

But most of these observations were based on a misreading of the industrial policy. The policy did not aim at the cutting of the private sector. It, on the other hand, promised to create the conditions and infrastructure which would help in reducing the cost of production in the private sector industries. It also did not limit the scope of the private sector. The new industrial activities undertaken by the state have opened up vast new fields for the private sector. The increasing industrial investment by the private sector since 1956 proves that the initial fears were unfounded. The private sector has vast field to itself. It has to accept the challenge and should try to improve its efficiency, particularly now when the fear of nationalisation has

been removed. The future of private industries in India's socialistic state will depend upon its good behaviour during the years ahead.

The public reaction to the 1956 Resolution was diversified, but in most instances favourable. Various criticisms were levied against this Resolution which may be summarised as follows.

(a) The Resolution greatly reduced the scope for private industry. The business community was asked to welcome this industrial policy as its Magna Charta, which it would perhaps have done if the statement had not at same time asserted that the inherent right of the state to acquire any industrial undertaking would always remain.

(b) Flexibility was envisaged in the Resolution but it was intended primarily to operate in favour of the public sector because the State could enter into any industry or trade it chose. The private enterprise was expected to play only a supplementary role in industries listed in 'Schedule B' and even in the category of industries where the development would be undertaken ordinarily through the initiative and enterprise of the private sector, it would be open to the state to start any industry. Hence no field was safe from Government encroachment.

(c) The policy, if rigidly applied could only result in imposing heavy additional burdens on the already over-strained financial and administrative resources of the public sector and in restricting the rate of development in the vitally important fields.

(d) Industrial policy place greater emphasis on state enterprise. Though there were conditions in which state enterprise was required for developing industries in India, but the order of emphasis could be reverted and free enterprise be made the normal practice and state enterprise being confined to cases where there as proved necessity for it.

(e) The competence of the Government to establish and run industries efficiently was questioned by the advocates of the private sector. The reason for this was that, once the State took up an industrial venture, it became an impersonal affair.

(f) The industrial policy of the Government of India as embodied in its 1956 Resolution brought to the fore the unrealistic thinking of our leaders about the contribution of State capitalism in our plans of economic regeneration. The Resolution not only expanded the list of subjects reserved for state venture, but also enlarged the powers and role of the Government in the industrial sphere. This policy statement was a beginning which would ultimately lead to the extinction of entrepreneurial activities in the country.

(g) It was contended that the future co-operative movement would, for all practical purposes, be no different from collectivism, as the guiding state would be the Government and not the elected members of the societies. That very type of co-operative societies would function in the sphere of industries earmarked for the private sector. A beginning in this direction had already been made in sugar and cotton textile industries. ~~The ultimate been~~

~~made in sugar and cotton textile industries~~. The ultimate outcome of all this would be State capitalism, with all its evils.

(h) The secondly importance attached to the private sector was absolutely unwarranted, if its excellent performance in the past (Particularly in the First Five Year Plan), existing financial difficulties, unfavourable political climate, and its proved ability for the future, were any criteria. Thus the Government's approach to industrialisation was claimed to be influenced more by ideology and less by pragmatism.

Some of the above criticisms arose due to the lack of appreciation of the role of state in the planned economy. Under the planned economy the public sector has to develop more rapidly because there nothing can be left to chance. The extension of public sector does not by itself indicate that the Government proposes to take away almost all important sectors of the economy under its fold. Moreover, the private sector has been assigned an adequate share in the programmes of industrial development. It is true that public sector has assumed a huge responsibility for developing industrial undertakings but fairness has simultaneously been shown to the private sector in the allocation of industrial projects. The Resolution provides an opportunity to the private sector to show its mettle and to contribute its mite for the rejuvenation of national economy. The future of the private enterprise depends much upon its own behaviour. If it rises to the occasion, animated more by service than by profit motive, keeps its employees happy and contended and voluntarily enforces fair trade practices in its members, good future prospects

can be assured. Profit motive might have been helpful at a particular period in the industrial history of the country but times have since changed and new outlook approach, and technique pervade the present society. It is in the fitness of things that ideas of 'socialist pattern of society' and 'welfare state' are duly recognised in our political and economic set up. The concept of socialist pattern of society should remain as far from purblind individualism as from aggressive socialism.

The 1956 Industrial Policy Resolution charts a fresh sector, but put with checks and balances to prevent a detrimental concentration of economic power and wealth. The Resolution has been described by some observers as an economic consultation based upon its political counterpart -- the Constitution of India.(7) It is linked to the Constitution by re-stating the preamble of Justice, Liberty, Equality and Fraternity, and citing from its Directive Principle of State Policy. Thus private enterprise has been given a new opportunity to justify its existence in a socialist state. It is now up to the industrialists to prove by action that the Government's reappraisal of the worthlessness of private enterprise has not been misconceived. Private industry's future position in India's socialist state will depend upon initiative, efficiency, and good behaviour during the years ahead.

The new policy, though it extended the scope of the public sector did not contemplate the taking over of the existing units, listed even in schedule A. The division of industries did not imply that the industries were divided into water-tight compartments. Overlapping and also a great deal of dovetailing

would invariably remain between the industries and the private sectors.

The new industrial policy is also open to criticism. The Industries (Development and Regulation) Act. as amended in 1953 which empowered the Government to take over any concern with-out giving the concern an opportunity to explain, created grave uncertainty and misapprehension in the minds of the business community. It had been hanging like the Damocles's sword on the private sector. Nothing was done to remove those misapprehensions. The extension of the public sector and the statement that it would be open to the state to start any industry even in the category, left to the private sector, would fail to evoke a favourable response from the private sector.

Moreover, the ever-expanding role of the public sector requires a highly efficient administrative machine, which the State certainly does not possess. Hence, the administrative machine is likely to be loaded with tasks, more numerous and more delicate than it can handle.[8] The result will be that qualitative management will not be possible and there is bound to be inefficiency.

Mr. R. L. Powell in his presidential speech at the annual meeting of the Upper India Chamber of Commerce, Kanpur, criticised the Government of India's Industrial Policy in a humorous vein : In his view the phrase 'democratic planning' had ceased to be so in the true sense of the term; it had been twisted to mean a growing concentration of economic power in the

hands of the ruling few. In criticising the concentration of economic power in the hands of the State, Mr. Powell said, "The left hand may grow stronger if the right is paralysed, but two strong hands are better than one. If industry is weakened - indeed if it is not strengthened by a wise revision of current policies - not only will be success of the Second Five Year Plan be prejudiced, but also one of the strongest bulwarks of democratic thought will have been undermined. The present and the prospective financial problems are both a warning of past errors and an opportunity to pause and think again. Let us make good use of them at all levels, endeavour to reassess ends and means. If saving and investment are rewarded, if initiative and enterprise are encouraged, the economic development of India is assured."

But in spite of the criticisms, it must be admitted that if a socialist pattern of society is to be established - if economic and social Justice is to be ensured - then the Government must have to play the dominant role in the industrial development of the country.

The supporters of the Resolution maintain that these kind of criticism stem from the vested interests and also from and improper appreciation of the urgent need of the hour, where poverty is growing and the social advantage is at stake, the government should wield an apprehend, suggest the tune to be Played, as one who pays should suggest the tune. The present situation calls for the regulation and control of the private industrial establishment by the government to promote larger interests. The Resolution does not mean that the public sector would grow at the cost of the private sector or as a

rival to the latter, but on the contrary, the public sector would, in the planned economy, create and promote congenial conditions and climate which will facilitate the growth of private sector along with economic development. This is obvious from its effect as private sector since 1956. In short, the Resolution laid down a firm but broad-based as well as a flexible foundation for the future industrial transformation in the country.

The expansion of industry in the Third Plan is envisaged to be governed by the Industrial Policy Resolution of April 1956. As in the Second Plan, the roles of the public and private sectors have been conceived of as supplementary and complementary to one another. For example, in the case of nitrogenous fertilisers, where the public sector has already assumed a dominant role, it is proposed that during the Third Plan the private sector will enter this field in a bigger way than in the past and supplement the efforts of the public sector. Programmes for the manufacture of dyestuffs, plastic and drugs in the private sector will be largely complementary to the programme in the public sector.

Replying to a member of Lok Sabha, the Minister of Industry categorically declared that there was going to be no departure whatever from the Industrial Policy Resolution of 1956. He described the Government's industrial policy as a six-pillared one 'the haxagon of industrial policy,' (i) dominating role of the public sector; (ii) preventing growth of monopolies by keeping a constant watch that no single group or groups really enjoyed any sizeable segment of the national production; (iii) avoiding the industrial

bigness in well-developed industries; (iv) giving preference to new entrants; (v) developing intensively small scale, ancillary and medium scale industries; and (vi) channelising higher skills and experienced talents to more difficult enterprises.

In September 1964, the Finance Minister announced in Lok Sabha that industrial policy in the Fourth Plan will continue to be on the lines set out in the Industrial Policy Resolution of 1956. While Members of Opposition had from time to time criticised that Resolution from differing, and mutually inconsistent, view-points we had yet to recognise that it was within the ambit of that Resolution that the satisfactory progress in the field of industry as a whole had been achieved over the past years. The Industrial Policy of 1970 is not an entirely new policy but a more reiteration of the Industrial Policy Resolution of 1956. What has been done is to stress further the need for expanding the role of the public sector in the economy.

The new licensing policy of 1970 and the Industrial Policy Statement of 1973 will not mark any improvement in the working of the original policies. The Government has not made any improvement over the system already working. The Industrial Policy has not made any improvement in the direction of :

(i) there should be a satisfactory criterion in the form of production targets for granting industrial licence; (ii) the import substitution policy should work in co-ordination with the licensing policy; (iii) foreign collaboration and

domestic technology should be fully co-ordinated and the licensing policy should take their respective interests into consideration; (iv) regional balanced development and dispersal of industries along with checking the growth of concentration of economic power should be some of the few important objectives of the licensing policy, and above all, there should be a design prepared by the Planning Commission in respect of the future industrial pattern of the country. Our planning machinery remains the same, our licensing system is the same. There is no extra responsibility on any of them.

The 1973 Policy Resolution has kept the concept of joint sector as hazy as ever. Though it is intended to largely associate the middle and small firms in the joint sector, the participation of large industrial houses in the joint sector has not been entirely ruled out. They would be allowed to do so at the discretion of the Government. The main idea behind the joint sector is to use it as a promotional instrument. It appears that this promotional concept is the logical consequence of transitional socialism which has become the basic foundation of our type of mixed economy.

The Industrial Policy of February, 1973 should be viewed as a supplement to the Industrial Licensing Policy of 1970. Therefore it paid greater attention in defining the role of the private sector with particular reference to the larger industrial houses. But it virtually failed to identify the joint sector with a view to making use of private expertise and resources in line with the Government's socio-economic objectives.

The Industrial Policy Statement outlined above was intended to give a further fillip to the pace of industrialisation. Restrictions were placed on big houses to start new industries and the role of cooperative, small, medium and joint sectors was widened. Foreign collaboration in Indian Industry was more clearly defined. Though the 1973 Statement was in conformity with the MRTP Act of 1969, yet it failed to curb the entry of big houses into other industries, thereby enhancing monopoly. This was the outcome of the policy of liberalising industrial licensing, delicensing 21 industries, and permitting monopoly houses and foreign enterprises in 30 other industries to expand beyond the licensed capacity in Industrial Licensing Statements of 1974 and 1975. This Statement did not specify anything about the removal of regional disparities and the setting up of industries in backward areas by industrial houses.

In the light of the above discussion I shall focus my attention on the critical part of 1977 Industrial Policy. The 1977 Industrial Policy was framed with the idea that it would help in the creation of a just and equitable society in which the benefits of industrial development will be shared by all the people. The objective undoubtedly was laudable but was difficult to fulfil.

Another welcome feature of the policy is the expanding of role assigned to the public sector and the Government determination to run public sector enterprises on profitable basis in order to ensure that investment in these industries pays an adequate return to society.

The 1977 Industrial Policy emphasises dispersal of industries. A scheme of such gigantic proportions calls for the building up of heavy infrastructure facilities. This means massive social investment. The 1977 Industrial Policy is silent on this point. There is no indication how this social investment will be undertaken and whether the resources for this purpose will be forthcoming.

The 1977 Industrial Policy could not be implemented for long because the Janata rule lasted a short while. This, however, does not mean that this policy went to the drain and did not make any impact. District Industries Centres and tiny units have come to stay and so have been the dilution of foreign equality to 40 percent under the FERA and the policy toward sick units.

The 1977 Industrial Policy was somewhat harsh to the large units in the private sector when it stipulated that they would have to rely on internally generated resources for financing new projects or expanding existing projects. The financing of large-scale sector does not have to be at the cost of other sectors, but at the same time it would certainly hurt the economy of the large scale sector is not able to function effectively due to shortage of funds. Most of large industries are not doing well. To enable these units to increase profitability, the Government should not close the door of outside financial resources to the large units. It is heartening to note that the congress Government, under the leadership of Mrs. Indira Gandhi, which came in power in January, 1980, is specially looking into this problem and are sure to

assign a significant role to large-scale sector for the balanced industrial development of the country.

The new Industrial Policy Statement of 1980 is a very comprehensive document which tries to cover almost every aspect of the Indian economy relating to industry. It lays emphasis on the social objectives and outlines a set of pragmatic policy in their light for faster growth in the coming decade. It spells out a number of positive steps to encourage and improve the performance of the private sector such as automatic growth of capacity, regularisation of excess capacity, liberalisation of licensing and simplifying licensing procedures, provision of modern packages, import of advanced technology, and provision for R and D. It emphasises merger of sick units with healthy ones and does not favour their nationalisation. Keeping in view the dismal performance of the public sector, it is sought to be revamped through better management. Raising the investment limits in the case of tiny, small and ancillary units is a recognition of cost realities. Creation of a buffer stock of critical inputs for small industries is a step in the right direction. Recognising global energy crisis, the policy stresses the importance of energy utilisation, pollution control and ecological balance.

But critics are not lacking in describing the new industrial policy as negative and evading the critical issues[9]

First, the regulation of excess capacity favours the Indian monopoly houses and multinational corporations. In the majority of cases, the installed

excess capacity or actual production had been more than double the licensed capacity.

Second, the new industrial policy is contradictory. On the one hand, it raises the limit on the utilisation of industrial capacity of the private sector and of the other hand, it insists that monopoly houses would not be allowed grow.

Third, the redefinition of small-scale units is a recognition of cost realities but will in no way contribute to curbing benami ownership as claimed by the statement since it has been cased by other factors. However, the benami issue goes strictly beyond the scope of industrial policy. Its incorporation in the paper merely diffuses its focus.

Fourth, the issue of economic pricing of various goods produced in the public and private sectors has been neatly skirted by reference to the need of price stability. An element of differentiation by sub-sectors is required to work out an average level of relatively stable prices. This would require a clear appreciation of social priorities. This is singularly absent in the statement.

Fifth, the policy proposed the abolition of District Industries Centres without establishing and assigning the reasons of their failure. Instead it advocated the setting up of nucleus plants. Perhaps the Government realised the utility of the DICs and has wisely thought of not abolishing them. Rather, they have been strengthened and modified. But there is no trace of the nucleus plants so far.

Last but not the least the new policy is unrelated to the socio-economic objectives it professes to follow. The industrial investment and production have been moving from meeting the basic needs of the people. The economy has been faced with shortages in the essential and basic consumer goods needed by the masses. But there has been no dearth of goods consumed by the elite. In fact, the increase in their production has been more than proportionate to the increase in the overall industrial production. The criterion for industrial production should be the increased availability of goods for mass consumption. The new industrial policy ignores this vital aspect.

Earlier I have mentioned that the raising of investment ceiling on plants and machinery for small-scale industries, delicensing of new units upto an investment of Rs. 25 crores in fixed asserts in non-backward areas, liberalised norms for foreign collaboration and clearance of 40 percent of equity are among the salient features of the new industrial policy of 1990. For an official pronouncement, the new industrial policy statement in reasonably candid and clear. Yet, not everybody is equally happy. Some feel the policy changes shout have been extended to companies under the Foreign Exchange Regulation Act (FERA) and MRTP Act.

There is a view that import liberalisation may increase in outflow of foreign exchange. Industry Minister officials, however, disgrace. They contend that in any case half the projects being set up do not need to import equipment and components. Further, since the new scheme does not affect units

accounting for 70 percent of the value of imports of capital goods. It won't seriously affect the balance of payments. On the other hand, it may encourage investors to be more prudent in importing capital goods lest they exceed the ceilings, officials argue.

Though the policy changes are ostensibly aimed at helping the small sector, some small entrepreneurs fear the hike in the investment limits may encourage big business houses to through ancillary and front firms.

Mr. Viren J. Shah, the Assocham, president, however, regretted that the liberalising and deregulation policy has not covered MRTP and Fera companies, which have the financial, managerial and technological resources, and which are in a better position to generate surpluses, thereby triggering further growth.

The Bengal National Chamber of Commerce & Industry president, Mr. A. K. Chandra, said the government's approach to promote export by the SSI sector was not realistic. He criticised the stipulations for stepping up the investment limit in plant the machinery upto Rs. 75 lakh for SSI units, which would export at least 30 percent of their annual production by the Third Year.

Mr. Sanjib Goenka, President of Indian Chamber of Commerce criticised the policy as "nothing" has been done for MRTP and FERA companies deserved a better treatment, he added.

The New Industrial policy scrupulously silent on the damage done by the Textile Policy announced by the Rajiv Government in 1985 by replacing the traditional vertical productive sectors such as handlooms, powerloom and composite mills with the new horizontal sectors -- spinning, weaving and processing and placing organised and unorganised sectors in the same category of the mill sector. The relatively weak powerloom units unable to compete with the strong mill sector suffered in terms of unemployment .Since textiles is a major area of production of the small-sector, the government should have reversed this policy in a bid to boost the powerloom sector.

The 100 percent export oriented units (EOUs) and units to be set up in the export processing zones (EPZs) are also being delicensed under the scheme upto an investment of Rs. 75 crores. This again will open the import widow further in the name of export promotion.

The upshot of the entire criticism is that whereas the New Industrial Policy aims to promote the small-scale and agro-based industries, it must safeguard against the encroachments by the large sector, failing which promotion of the small sector will remain an empty slogan. The onslaught by Big Business and the multi-nationals in grabbing the market-share of the small sector in mass consumption goods is too serious. Unless the arm of the state defends the reservation of the small sector in an effective manner, the employment generation of the small sector will be seriously jeopardised by the rapacious activities of Big Business.

Despite such criticism, it cannot be denied that the Government is earnest about reducing bureaucratic controls on business. In recent times, it has liberalised licensing of steel units and eased locational norms for sugar mills. It is also planning to allow more private companies to set up power plants and let them actively participate in oil and gas distribution. In other words, the recent changes are an assertion of the Government's perception that the Indian economy needs to be further opened up.

The following are some of the Suggestions for better industrial policy Resolutions:

(i) All industries of basic and strategic importance, or, in the nature of public utility services should be in the public sector.

(ii) The state has to assume direct responsibilities for the future development of industries over a wide area.

(iii) Rapid industrialisation with particular emphasis on the development of basic and heavy industries.

(iv) Reduction of inequalities in income and wealth and a more even distribution of economic power.

(v) Emphasis should be given on small scale and cottage industries in the development of national economy.

(vi) Emphasis should be given on reducing the regional differences.

(vii) To expand the scope of private sector.

(viii) Emphasis should be given on technical efficiency.

(ix) To prevent emergence of private monopolies.

(x) Co-operative sectors should be encouraged.

(xi) Large-scale industries should also be given due importance and attention.

(xii) A large expansion of employment opportunities.

(xiii) Foreign capital and enterprise, particularly as regards industrial technique would be necessary for the rapid industrialisation of the country.

Or

More foreign capitals would be invited to participate in the Indian economy.

(xiv) There should be no concentration of wealth in the hands of a few.

(xv) Emphasis should be given on the maintenance of industrial peace as one of the prime requisites of industrial progress.

(xvi) Revival of economic infrastructure.

(xvii) Strengthening of the agricultural base by according a preferential treatment to agro-based industries and promoting optimum inter-sectoral relationship.

(xviii) Faster promotion of export-oriented and import substitution industries.

(xix) Promoting economic federalism.

(xx) Emphasis should be given on Research and Development.

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5.2 Industrial Policy and Socio-Political Development in India.

In August 1947, the national Government was engaged in the immediate problems arising out of the partition of the country. Industrial crisis was developing in the country owing to the unsatisfactory relations between the management and labour, the shortage of raw materials, the difficulty in obtaining the capital goods and the paucity of technical personnel. In December 1947, the Industries Conference was called which noted an all-round decline in the productive capacity. The investing public at that time had no clear-cut idea about the industrial policy of the new Government. The conflicting statements of various Ministers and leaders had created a confusion in the minds of investors and industrialists. Virtually, there was a stagnation in the investment market. The Industries Conference emphasised that Government should have a definite plan for the demarcation of the role of the private and the public enterprise. The main idea of holding this Conference was to chalk out a definite industrial policy and to put an end to the existing suspense and industrial unrest.

Just after Independence, the Government of India announced its industrial policy in April, 1948. The aim was to have a mixed economy where the public sector and the private sector were expected to operate side by side. As a matter of fact the term is not a happy one since every economy

is a mixed economy. In India, there was a large sector of industrial activity already under the control and management of the State, e. g. the entire railway system, the postal, telegraphic and communication services and many public utilities were being owned by Central or State Governments. Some of the State Governments were also running industrial enterprises prior to the announcement of this Industrial Policy.[1]

The Industrial Policy was received with mixed feelings. A large section of industrialists welcomed it. It was considered by some to lay down the foundation of 'Democratic Socialism'. The mixed economy idea forms the basis on which industrial programmes of our Five Year Plans have been formulated.

As we have already seen the First Plan accorded the highest priority to agriculture and irrigation. But that does not mean that industries were altogether neglected. For implementing the industrial Policy to regulate industry and to promote industrial development, a Bill was introduced in Parliament in March 1949 which was finally approved in October 1951 as the Industries (Development and Regulation) Act. The Act came into force on May 6, 1952. The principal object of this Act is to enable the Government to implement its policy for the planned development and regulation of industries. It is the chief instrument in the hands of the Government to guide development of industries in the private sector in the directions indicated in the five-year plans.

The Government of India set out in their Resolution dated 6th April 1948 the policy which they proposed to pursue in the industrial field. The Resolution emphasised the importance to the economy of securing a continuous increase in production and its equitable distribution, and pointed out that the state must play a progressively active role in the development of industries.

Eight years have passed since this declaration on industrial policy. These eight years have witnessed may important changes and development in India. The Constitution of India has been enacted guaranteeing certain Fundamental Rights and enunciating Directive Principles of State Policy.(2) Planning has proceeded on a organized basis, and The First Five Year Plan has recently been completed.

Parliament has accepted the socialist pattern of society as the objective of social and economic policy. These important developments necessitate a fresh statement of industrial policy, more particularly as the Second Five Year Plan will soon be placed before the country. This policy must be placed before the country. This policy must be governed by the principles laid down in the constitution, the objective of socialism, and the experience gained during these years.

The Constitution of India, in its preamble, has declared that it aims at securing for all its citizens, -

"JUSTICE, social, economic and political; LIBERTY of thought, expression; belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all;

FRATERNITY assuring the dignity of the individual and the unity of the Nation."

In its Directive Principles of State Policy, it is stated that

"The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may, a social order in which justice, social, economic and political, shall in form all the institutions of the national life".

Further that ------

"The State shall, in particular, direct its policy towards securing -

(a) that the citizens, men and women equally, have the right to an adequate means of livelihood;

(b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;

(c) that the operation of the economic system does not result in the

concentration of wealth and means of production to the common detriment;

(d) that there is equal pay for equal work for both men and women;

(e) that the health and strength of workers, men and women, and the tender age of children ate not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age of strength;

(f) that childhood and youth are protected against exploitation and against moral and material abandonment."[3]

These basic and general principles were given a more precise direction when parliament accepted in December, 1954, the socialist pattern of society as the objective of social and economic policy. Industrial policy as other policies must, therefore, be governed by these principles and direction.

In order to realise this objective it is essential to accelerate the rate of economic growth and to speed up industrialisation and, in particular, to develop heavy Industries and machine making Industries, to expand the public sector, and to build up a large and growing cooperative sector. These provide the economic foundations for increasing opportunities for gainful employment and improving living standards and working conditions for the mass of the people. Equally, it is urgent, to reduce disparities in income and wealth which exist today, to prevent private monopolies and the concentration of economic power in different fields in the hands of small numbers of individuals. Accordingly, the state will progressively assume a predominant and direct

responsibility for setting up new industrial undertakings and for developing transport facilities. It will also undertake state trading on an increasing scale. At the same time, as an agency for planned national development, in the context of the country's expanding economy the private sector will have the opportunity to develop and expand. The principle of cooperation should be applied wherever possible and a steadily increasing portion of the activities of the private sector developed along cooperative lines.

The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. The state has, therefore, to assume direct responsibility for the future development of industries over a wider area.

Industrial undertakings in the private sector have necessarily to fit into the framework of the social and economic policy of the state and will be subject to control and regulation in terms of the Industries (Development and Regulation) Act and other relevant legislation. The Govt. of India, however, recognise that it would, in general, be desirable to allow such undertakings to develop with as much freedom as possible, consistent with the targets and objectives of the national plan. When there exist in the same industry both privately and publicly owned units, it would continue to be the policy of the state to give fair and non-discriminatory treatment to both of them.

The state will endeavour to reduce the disparities in industrial development in the different regions of the country and for this purpose provide power, water and transport facilities to the industrially backward regions. Industrial facilities will be extended gradually to those regions where there large-scale unemployment. This aspect of the 1956 Industrial Policy Resolution is a direct concomitant of balanced industrial development envisaged is our Five Year Plans.

The Industrial Policy of 1956 is an important constituent of the general developmental planning programme adopted by the Indian planners and as such it can only be fully appreciated in relation to the process of economic development initiated in India by the Five Year Plans. The Industrial Policy Resolution of 1956, therefore, naturally contemplates a mixed or controlled economy in which public and private enterprises work and in hand so as to make the development plan a success. The redeeming feature of the 1956 policy is that it brings about an excellent synchronization between government's industrial policy and the industrial programmes included in the plan. It should be noted that the Industrial Policy of 1956 is governed on the one hand by the objective of the Socialistic Pattern of Society, which aims at full employment and greater production, and on the other, by the Directive Principles of our Constitution which aim at social, economic and political justice.

The Fourth Plan document discussed the new approach to industrial planning. The industrial policy for the Fourth Plan has been conceived as

usual with the objectives of correcting imbalances in the industrial structure, and bringing about the maximum utilization of capacity already built up. It was proposed in the Fourth Plan document that the industrial policy would be directed towards canalisation of capital and personnel resources so as to achieve widespread industrialization and encouraged emergence of new entrepreneurship and greater dispersal in the ownership and control of industrial development continued to be guided by the broad principles enunciated under the Industrial Policy was to provide for a flexible approach in the development of industries with the public, private and co-operative sector.

During the early 1970's the government had expanded the public sector by nationalising several industries. This nationalisation programme unnerved the private sector which resulted in scarcities of all kinds of manufactured goods which led to speculative activities and black marketing. In order to steer clear of this critical problem the government resorted to a new industrial policy in February 1973.

The following is the text of the press note on Government's decisions on industrial policy :

The Government has carefully reviewed its policies relating to industrial development in the light of the experience gained in the implementation of the Industrial Licensing Policy of 18th February 1970, and in the context of the Approach to the Fifth Five Year Plan. The Industrial

Policy Resolution of 1956 has laid down the basic principles that govern the Government's approach towards industrial development.

These principles have been derived from the Directive Principles of State Policy contained in the Constitution and from the adoption by parliament in December 1954 of the socialist pattern of society as the objective of social and economic policy.[4]

The Industrial Policy Resolution of 1956 will continue to govern the Governments objectives of growth, social justice and self-reliance in the industrial sphere.

As pointed out in the Industrial Policy Resolution the adoption of The Socialist pattern of society as the national objective, as well as the need for planned and rapid development, requires that the nature of public utility services, should be in the public sector.

In the context of the Approach to the Fifth Five Year Plan, the state will have to take direct responsibility for the future development of industries over a wide field, in order to promote the cardinal objectives of growth, social justice, self reliance, and satisfaction of basic, minimum needs. The Governments policy regarding the joint sector is derived from the Industrial Policy Resolution, 1956, and the objective of reducing the concentration of economic power. The role of the joint sector enterprise was to be judged and decided on its merits in the light of Government's social and economic objectives. The joint sector was also to pay a promotional role in guiding

new and medium enterprises in establishing priority industries. In appropriate cases, the Central and State Governments have taken equity participation on either directly or through their corporations with private parties. Some joint sector units have come up in this way.

The Industrial Policy of 1973 is not an entirely new policy but a mere reiterations of the Industrial Policy Resolution of 1956. Foreign collaboration in Indian industry was more clearly defined. Though the 1973 statement was in conformity with the MRTP Act of 1969, yet it failed to curb the entry of big houses into other industries, thereby enhancing monopoly power. This was the outcome of the policy of liberalising industrial licensing delicensing 21 industries, and permitting monopoly houses and foreign enterprises in 30 other industries to expand beyond the licensed capacity in Industrial Licensing Statements of 1974 and 1975. This statement did not specify anything about the removal of regional disparities and the setting up of industries in backward areas by industrial houses.

The 1973 Policy Resolution has kept the concept of joint sector as hazy as ever. Though it is intended to largely associate the middle and small firms in the joint sector, the participation of large industrial houses in the joint sector has not been entirely ruled out. They would be allowed to do so at the discretion of the government. The main idea behind the joint sector is to use it as a "promotional instrument'. It appears that this Promotional concept is the logical consequence of 'transitional socialism' which has become the basic foundation of our type of mixed economy.

The Industrial Policy of February, 1973 should be viewed as a supplement to the Industrial Licensing Policy of 1970. Therefore, it paid greater attention in defining the role of the private sector with particular reference to the larger industrial houses. But it virtually failed to identify the joint sector with a view to making use of private expertise and resources in line with the Governments socio-economic objectives.

The Government Policy in the sphere of industry since the middle of 1956 has been government by the Industrial Policy Resolution of 1956. But the results in the industrial field have fallen far short of the declared objectives. The incidence of industrial sickness has been widespread and some of the major industries have been worst affected. The Industrial Policy, announced in December 1977, was, therefore, primarily directed towards removing these distortions of the past so that the goal of faster economic development could be achieved within a time-bound programme.

The stimulation of cottage and small-scale industries in rural areas and towns will be the main thrust of the 1977 Industrial Policy. The industrial policy of 1977 has laid stress on the development of small and cottage industries. The Khadi and Village Industries Commission will henceforth work out detailed plans for development of these village industries by adopting modern management techniques.

The role of large-scale industry will be essentially related to the programme for meeting the basic minimum needs of the population through

wider dispersal of small-scale and village industries and strengthening of the agricultural sector. The Government will also endeavour to operate public sector enterprises on profitable and efficient lines in offer to ensure that investment in these industries pays an adequate return to society.

Industrial development is a complex process requiring the effective interaction and cooperation of all sections of society. If the objectives of the new Industrial Policy of accelerating the pace of industrial growth, rapid increase in levels of employment, productivity and income of industrial workers and a wide dispersal of small and village industries have to be achieved, the willing cooperation of industrial workers, trade unions, managers, entrepreneurs, financial institution and various governmental authorities responsible for implementing schemes of assistance will be essential.

1977 has been a year of historical changes and people's expectations in the political and economic field are high. It is hoped that the new direction that is being given to the industrial policy of the country will help creation of a just and equitable society in which the benefits of industrial development will be shared by all the people. With the coming of Indira Government at the Centre in January, 1980, a new Industrial Policy Statement was made in July, 1980. The 1956 Resolution forms the basis of this statement.

Industrialization in a developing country has two aspects, viz. optimum utilization of installed capacity and expansion of industries. The

industrial progress of India during the past three decades can be attributed to the policies pursued by the congress government. While the country had reached a take off stage towards mid-1970s both the growth channels-optimum utilization of installed capacity and expansion of industries were choked off by the 33 month-rule of Janata Party and its successor government. The runaway of the economy has been damaged by the last two governments and the entire process of development was put in reverse gear. Industrial policy during the Sixth Plan aims at optimum utilization of existing capacities quantitative increase in output of consumer, intermediate, capital goods and improvement of productivity. It aims at an annual growth rate of 8 per cent of industrial production during the five year period. The average annual growth rate achieved during the first three years of Sixth Plan is 4 per cent in 1980-81 8.6 per cent in 1981-82 and 3.9 per cent (provisional) in 1982-83. The average growth rate during the first three years of the plan is thus 5 per cent per annum.

A review of performance for the first three years of the Sixth Plan reveals that while targets are likely to be achieved in some important industries, e. g., petroleum, paper and paper board, commercial vehicles, scooters, motor cycles and mopeds, matching tools, etc., shortfalls are likely in a number of other important industries, such as steel, non-ferrous metals, textiles, fertilizers, locomotives, railway coachings, electric cables and transformers. The expected shortfalls in physical production of a number of industries in 1984-85 are primarily due to delays in the execution of projects,

shortages of power in a number of states and demand constraints. The number of on-going schemes in this sector is large, and many of these will spillover to the Seventh Plan.[5]

The Industry Minister, Ajit Singh announced the New Industrial Policy on May 31, 1990 and made a case for the growth of the small-scale industries just on the lines of the steps taken by the Janata party Government of 1977. The new industrial policy is a curious amalgam of the philosophy of the Janata Dal and the philosophy of indiscriminate liberalisation followed by Rajib Gandhi;

The Industrial Policy raises the investment limit of the small-scale industries (fixed in 1985) from 35 lakh to Rs. 60 lakh and correspondingly for ancillary units from Rs. 45 lakhs to 75 lakhs. Although the price level during this period had raise by 43 per cent, but the investment limit in the case of the small-scale units has been by 71 per cent and that of ancillary units by 67 per cent.[6] This implies that the government has more than compensated for the inflationary rise that has taken place for the value of plant and machinery.

The initiatives proposed in the New Industrial Policy to modernise the small sector by setting up a number of locomotory centres, tool rooms, process and product development centres, testing centres etc. are welcome. This is bound to increase the competitive strength of the small units by improving their quality of output and reducing their costs. Similarly, efforts

to eliminate bureaucratic interference so that the small-scale entrepreneurs are not harassed is another welcome feature of the new policy. The Pepsi-Cola project sanctioned in Punjab by the Rajiv Gandhi Government is a very highly capital intensive project which had a very poor employment generation potential.

The New Industrial Policy is scrupulously announced by the Rajib Gandhi Government in 1985 by replacing the traditional vertical productive sectors such as handlooms, powerloom, and composite mills with the new horizontal sectors - spinning, weaving and processing and placing organized and unorganized sectors in the same category of the mill sector. The relatively weak powerloom units unable to compete with the strong mill sector suffered in terms of unemployment. Since textiles is a major area of production of the small-sector, the government should have reversed this policy in a bid to boost the powerloom sector. The Rajiv Gandhi Government, by withdrawing the differential advantage to the powerloom sector, hastened the process of closure of powerlooms and thus the mill sector was able to swallow the powerloom sector. The reversal of this policy was in consonance with the new philosophy.

The economic reform measures which were introduced in 1991-92 and the subsequent period, by deregulating the dismantling the licensing of domestic investment, reforming the financial sector and the tax system and reducing the prohibitive rates of tariffs and taxes, radically changed the economic set-up of the country, and placed it in a position to fully utilise the

opportunities created and potential established for a rapid growth of output, investment and employment, based on increased efficiency of resource allocation. These measures were much more comprehensive than the earlier liberalisation measures and policy changes introduced in the 1980s and would therefore be expected to accelerate the growth process and expand the scope of structural changes which had already been initiated in the Sixth and Seventh Plan periods. However, as has been noted above, the earlier policy changes were becoming increasingly unviable because of the mounting fiscal and current account deficits and rising domestic and external debted burdens, and the more recent economic reforms were expected to ensure the sustainability of these policy changes by correcting the fiscal and external payments imbalances. The following sections would analyse the significant and often very impressive performance of the economy in all the sectors in terms of growth of output and efficiency, clearly demonstrating the positive outcome of the policy changes in the post-reform period. But the record on budgetary deficits and current account imbalances as well as the debt burdens in recent years show that we have still not been able to solve all the problems.

The objectives of our national economic policies have remained unchanged - economic development with social justice and equity, reducing disparity among income classes and among regions and states, as well as eradication of poverty. It must be noted that as soon as we give ourselves these multiple objectives, we implicitly assume a role of the government, as markets along cannot achieve them, unless we have an indefinite time horizon.

The earlier thinking was; if we maximise economic growth, it will take care of the problems of equity and poverty eradication through a "trickle down" process. To maximise growth, we tried to rapidly increase investment and savings by reducing consumption and preventing frittering away of resources through production of non-essential goods and investment in priority sectors. The result was the licence-permit raj, industrial licensing, import controls and interventions in the markets. The resulting distortions created inefficiency Investments increased but productivity fell, which slowed down growth.

The economic reforms are expected to remove these distortions and restore economic growth. But even then the problems of inequity and poverty removal will not be solved. The theory that economic growth will trickle down to increase the income of the poor to remove their poverty, is unrealistic unless we wait for many many years or the growth rate is very high. Even if we double the per capita income in 10 years there would still be a large number of poor people in India.(7)

The response of the economy in terms of growth performance since the initiation of the reforms in 1991 appears somewhat less than expected when compared to the past trends or to the trajectories embodied in the Eighth Plan targets. The average rate of growth of the GDP during the period 1980-1991 was 5.63 per cent per annum. The growth rate came down to 0.9 per cent in 1991-92, and rose to 4.3 per cent in 1992-93.

We have thus seen that the NIPS is not all that radical from earlier

policy statements. The policy on delicensing, while a good step towards easing the legal barriers to entry may not in fact attract significant fresh entry in such large numbers that would lead to a fall in concentration ratios. This is because the erection of a capital barrier to entry have retained the height of the barriers to entry. While the MRTP undertakings stand abolished, the NIPS have quite silent as to how the market conduct of enterprises is going to be regulated. Though the earlier MRTP Act has been relatively successful as a watch dog body regulating the conduct of firms it had very little power or control to enforce its ceiling. There is already a Consumer Protecting Act, 1986 which was enacted recently Instead of duplicating different institutional mechanisms in regulating the behaviour, the government needs to strengthen either the monopolistic restrictive and unfair trade practices of the MRTP Act or enlarge the scope of the Consumer protection Act. One strong and all encompassing mechanism is preferable to a number of incomplete legislations. [8]

The NIPS was also not spelt out in what way the government would endeavour to reduce levels of concentration in very highly concentrated industries. It has also refrained from clearly articulating on barriers to exit, excepting for some vague statements about a social security net to take care of retrenched labour. However, there is a very welcome aspect of the policy statement in that it has not delicensed a host of luxury consumer durables like TVs, white goods (refrigerators, washing machines, etc.) where the profit rates are traditionally found to be very high. Otherwise investment may have

flowed into such sectors at the cost of items of necessity leading to a very lopsided production structure. But this danger appears to have been avoided due to be requirement of compulsory licensing for such industries.

As far as FDI (Foreign Direct Investment) is concerned we have argued that given the changes in the external environment, we may not attract much FDI. But relaxation of the controls on the price of purchasing technology through licensing agreements may in fact lead to an indiscriminate import of technology thus adversely affecting any future attempts towards technological self-reliance.[9] But that may have to be the price to be paid for obtaining modern technology in a large number of sectors.

The policy on privatisation has two components : deregulation and partial denationalisation. While the NIPS has been quite clear on the former aspect, it has been quite vague on the latter. Deregulation which is a good policy of subjecting hitherto monopolistic enterprise to an element of competition, is considered to be a better way of increasing efficiency than denationalisation. The partial denationalisation has been designed more to raise resources than to improve performance.

In conclusion, it should be added that the NIPS should be seen along with the union budget for 1991-92 and the statement on trade policy, to integrate the economy more with the international economy, to make Indian industries very competitive, both internally as well as externally. However, one is not sure whether the NIPS has really gone in that direction.

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CONCLUSION

The 1948 Industrial Policy was in force for eight years and during this period private investment in industries increased considerably. The Government implemented the policy in a pragmatic manner and in national interest the private foreign investors were permitted to start oil refineries. There was, however, one weakness in the policy and its implementation. No priorities were laid down, and even if laid down were not followed in practice. The result was a drop of industrial production, slowing down of the process of capital formation and a certain amount of industrial depression.

Indian economy is a mixed economy. By mixed economy I mean where public sector and private sector go side by side. Although mixed economy has to function under a number of controls which are like to result in fractions and bottle necks. However, the main merit of the 1948 Industrial Policy lies in its sincere endeavour to prepare the ground for a mixed or controlled economy in which both private and state enterprise are assigned distinct spheres of action. This mixed economy idea forms the basis on which industrial programmes of our Five Year Plans have been formulated. Between 1948 and 1950 many important developments took place in India. The constitution of India was enacted guaranteeing certain Fundamentals Rights and enunciating Directive principles of State Policy. The Government of India accepted the socialist pattern of society as the objective of social and economic policy.

The 1956 Industrial Policy has been hailed as the "economic constitution" of India. This policy was the moving spirit forward industrialisation in the policy framework of the Second, Third and Fourth Plans consequently, it was instrumental in expanding both the public and private sectors side by side. Although, there was no mention of the role of foreign private investment in the Resolution with the result that multinational corporations continued to thrive on the liberal policy of the government. The Resolution also failed to prevent concentration of monopoly and economic power, and reduce regional disparities.

It must be admitted that if a socialist pattern of socialist is to be established - if economic and social justice is to be ensured - then the Government must have to play the dominant role in the Industrial development of the country.

In short, the 1956 Resolution laid down a firm but broad-based as well as flexible foundation for the future industrial transformation in the country. The expansion of industry in the Third Plan is envisaged to be governed by the Industrial Policy Resolution of April 1956. As in the Second Plan, the roles of the public and private sectors have been conceived of as supplementary and complementary to one another.

In September 1964, The Finance Minister announced in Lok Sabha that industrial policy in the Fourth Plan will continue to be on the lines set out in the Industrial Policy Resolution of 1956. Even the Industrial Policy of 1970 is not an entirely new policy but a mere reiteration of the Industrial

Policy Resolution of 1956. What has been done is to stress further the need for expanding the role of the public sector in the economy. The new licensing policy of 1970 and the Industrial Policy Statement of 1973 will not mark any improvement in the working of the original policies. The Government has not made any improvement over the system already working. The Industrial Policy has not made any improvement in the direction of :

(i) There should be a satisfactory criterion in the form of production largest for granting industrial licence; (ii) The import substitution policy should work in co-ordiantion with the licensing policy; (iii) foreign collaboration and domestic technology should be fully co-ordinated and the licensing policy should take their respective interests into consideration; (iv) regional balanced development and dispersal of industries along with checking the growth of concentration of economic power should be some of the few important objectives of licensing policy, and above all, there should be a design prepared by the planning commission in respect of the future industrial pattern of the country. Our planning machinery remains the same, our licensing system is the same. There is no extra responsibility on any of them.

The 1973 Policy Resolution has kept the concept of joint sector as hazy as ever. The main idea behind the joint sector is to use it as a promotional instrument. It appears that this promotional concept is the logical consequence of transitional socialism which has become the basic foundation of our type of mixed economy. The Industrial Policy of February, 1973 should be viewed as a supplement to the Industrial Licencing Policy of 1970. Therefore it paid

greater attention in defining the role of the private sector with particular reference to the larger industrial houses. But it virtually failed to identify the joint sector with a view to making use of private expertise and resources in line with the Government's socio-economic objectives.

The Government Policy in the sphere of industry has been governed by the Industrial Policy Resolution of 1956. The growth of per capita national income during the last 10 years (from 1976 to 1977 except for the year 1976) has been about 1.5 per cent annum and is clearly inadequate to meet the needs of a developing economy. The 1977 Industrial Policy primarily directed towards removing the distortions of the past so that the genuine aspirations of the people can be met within a time-bound programme of economic development. Though 1977 Industrial Policy could not be implemented for long because the Janate rule lasted a short while.

The new Industrial Policy Statement of 1980 is a very comprehensive document which tries to cover almost every aspect of the Indian economy relating to industry. It spells out a number of positive steps to encourage and improve the performance of the private sector such as automatic growth of capacity, regularisation of excess capacity, liberalisation of licensing and simplifying licensing procedures, import of advanced technology, and provision for R and D. The Industrial Policy of 1980 is contradictory. On the one hand, it raises the limit on the utilisation of industrial capacity for the private sector and on the other hand, it insists that monopoly houses would not be allowed to grow.

The Government of India announced the New Industrial Policy on May 31, 1990 and made a case for the growth of the small-scale industries just on the lines of the steps taken by the Janata Government of 1977. An effort has been made to permit blanket liberalisation with a view to accelerate the growth of the medium and large-scale sector. The New Industrial Policy is a curious amalgam of the philosophy of the Janata Dal and the philosophy of indiscriminate liberalisation followed by Rajiv Gandhi. During the period of economic liberalisation the number of foreign collaborations in electronics has been increasing at a much faster rate than in the industrial sector as a whole. The Indian economy has been undergoing much change especially since 1991. The Government of India, initiated New Economic Policy (NEP) on July 1991. The NEP and its structural adjustment programme profess to make India industry more competitive - both domestically and globally. The New Industrial Policy Statement (NIP) is in a number of ways a major departure in as much as it has sounded the death knell to almost three decades of indicative planning in the industrial sector.

In conclusion I can say that the Government of India will be capable of developing in industry if it adopts a more liberalised industrial policy. It should develop our industry with the help of foreign technologies. Similarly, the government should also make a serious effort to develop our internal technologies through researches. Besides, regarding establishing different industries in our country, the government should try its best to attract foreign industrialists by giving then various industrial facilities.

APPENDIX

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