

PREFACE

Industrial development is a key factor for rapid economic development of any country. It is more true in the case of developing economies 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 judicious 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. Therefore, it is necessary for us to study the Industrial Policy of the Government of India.

The industrial scenario 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 liberalization 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^g of 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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