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 coi: ol 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 194~~6~~8. 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,

195~~6~~2. 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 i~~s~~n 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 interconnected 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 ~~and~~ 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 illafford 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.

The~~s~~re 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. Foı 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 id 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 these 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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