

Chapter - 01

I.I PUBLIC POLICY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

latter tends to tilt towards the more influential group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The success of a policy depends upon these factors :

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Policy Making In India

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

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

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

Evaluation of Policy Making in India

The areas of criticism are :

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

its task.

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

Appraisal

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

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

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

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

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

Evaluation of Public Policy

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

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

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

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

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

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

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

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

- (i) all projects and programmes should be of a pilot nature;
- (ii) programmes which show persistent shortfalls, lags, problems, and difficulties in implementation;
- (iii) impact programmes of 'crash' nature;
- (iv) programmes and schemes, which entail large outlays and rely on people's co-operation for their success,
- (v) special programmes for the benefit of backward classes or weaker section of the community;

(vi) working of people's institution;

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

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

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

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

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

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

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

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

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

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

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

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1 : 2 - THEORETICAL FRAMEWORK

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

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

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

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

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

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

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

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

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

The Report of the Industrial Commission was a sort of definitive statement of industrial policy of state intervention--as distinguished from laissez-faire which came as a culmination after its formative period since 1900. It is For third reason it has been described by some as the new Industrial policy 1900-25. Subsequently, Lord Hardinge, the then Viceroy in his despatch of November 1915 pointed out to the Government the need to pursue a more definite and self-conscious policy towards industrial expansion¹. The British officials in Indian Government were able to identify five leading constraints on the economic development of India, namely,

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

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

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

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

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

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

The conclusion that follows from the above discussion is that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES AND REFERENCES;

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

2. Ibid., p. 23.

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

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