

Course Name:-B.A.LLB-IVth Sem

Subject:-Economics-IV

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Topic:-Industrial Policy

Industrial Policy

At the time of Independence, the Indian economy was facing severe problems of illiteracy, poverty, low per capita income, industrial backwardness, and unemployment. After India attained its Independence in 1947, a sincere effort was made to begin an era of industrial development. The government adopted rules and regulations for the various industries. This industrial policy introduction proved to be the turning point in Indian Industrial history.

- ▶ *Industrial policy is a document that sets the tone in implementing, promoting the regulatory roles of the government.* It was an effort to expand the industrialization and uplift the economy to its deserved heights. It signified the involvement of the Indian government in the development of the industrial sector.

The industrial growth of a country is guided and regulated through its industrial policies. Let's understand the journey of various industrial policies

- ▶ Industrial Policy of 1948
- ▶ The first industrial policy after independence was announced on 6th April 1948. It was presented by Dr. Shyama Prasad Mukherjee then Industry Minister. The main goal of this policy was to accelerate the industrial development by introducing a mixed economy where the private and public sector was accepted as important in the development of the economy. It saw the Indian economy in socialistic patterns. The large industries were classified into four categories:
- ▶ **Industries with exclusive State Monopoly/Strategic industries:** It included industries engaged in the activity of atomic energy, railways and arms, and ammunition.

Industries with Government control: This category included industries of national importance. 18 such categories were mentioned in this category such as fertilizers, heavy machinery, defense equipment, heavy chemicals, etc.

Industries with Mixed sector: This category included industries that were allowed to operate independently in the private or public sector. The government was allowed to review the situation to acquire any existing private undertaking.

Industry in the Private sector: Industries which were not mentioned in the above categories fall into this category. High importance was granted to small businesses and small industries, leading to the utilization of local resources and creating employment.

Indian Policy Statement 1977

- ▶ Indian Policy Statement was announced by George Fernandes then the union industry minister of the parliament. The highlights of this policy are:
- ▶ A] Target on the development of small-scale and cottage industries.
- ▶ Household and cottage industries for self-employment.
- ▶ Tiny sector investment up to 1 lakhs.
- ▶ Smallscale industries for investment up to 1-15 lakhs.

B] Large-scale sector

Basic industries: infrastructure and development of small-scale and village industries.

Capital goods industries: meeting the requirement of cottage industries.

High technological industries: development of agriculture and smallscale industries such as petrochemicals, fertilizers and pesticides.

C] Restrict the control of big business houses.

D] Role of the public sector:

Development of ancillary industries.

To make available expertise in technology and management in small and cottage industries.

E] Revival and rehabilitation of sick units.

New Industrial Policy, 1991

- ▶ The features of NIP, 1991 are as follows:
- ▶ Public sector de-reservation and privatization of the public sector through disinvestment.
- ▶ Industrial licensing.
- ▶ Amendments to Monopolies and Restrictive Trade Practices (MRTP) Act, 1969.
- ▶ Liberalized Foreign Investment Policy.

- Foreign Technology Agreements (FTA).
- Dilution of protection to SSI and emphasis on competitiveness enhancement.

The all-around changes introduced in the industrial policy framework have given a new direction to the future industrialization of the country. There are encouraging trends on diverse fronts. Industrial growth was 1.7 percent in 1991-92 that has increased to 9.2 percent in 2007-08. The industrial structure is much more balanced. The impact of industrial reforms is reflected in multiple increases in investment envisaged, both domestic and foreign.

Importance of Industrialization

- ▶ Industrialisation is the first and foremost requirement of rapid economic development of a country.
- ▶ The industrialisation is not only helpful in the development of industries but it also promotes agriculture, trade, transport, foreign trade, services and social sectors of the economy.
- ▶ It increases employment opportunities, national income, per capita income and living standard of the populace.

- ▶ Therefore, an industrial policy is required to establish healthy traditions of industrialisation and to guide, regulate and control (if required) industrial development.
- ▶ The industrial policy of a country is influenced by the ideology ‘ and principles of the concerned government.
- ▶ The industrial policy helps the country making it self-sufficient and prosperous by preparing a structure and basis of industrial development.
- ▶ Hence, the industrial policy of the govt. must be well defined, clear and progressive. Moreover, it should be adhered to and implemented earnestly.

Need, Objectives and Importance of Industrial Policy

- ▶ The need, objectives and importance of an industrial policy can be explained through following points :
- ▶ **Deployment of Natural Resources**
- ▶ The industrial policy helps in full deployment of natural resources of the country. It helps in identifying, collecting and using resources properly. It facilitates increase in national income of the country.
- ▶ **To Augment Industrial Production**
- ▶ The main objective of the industrial policy is to augment industrial production of the country. It provides an impetus to rapid development of industries and industrial growth.
- ▶ **Modernisation**
- ▶ The industrial policy encourages modernisation for increasing industrial output and productivity. It envisages the use of modern and latest production techniques in industrial sector. It facilitates maximum output at minimum cost of production.

▶ **Balanced Industrial Development**

▶ The industrial policy envisages balanced industrial development of the country. It also facilitates balanced development of various sectors of the economy.

▶ **Balanced Regional Development**

▶ The industrial policy helps in balanced regional development of the country. The industrial policy may contain provisions regarding providing facilities or concessions for rapid development of industrially backward areas/regions of the country.

▶ **Coordination between Basic and Consumer Industries**

▶ The balanced development of basic and consumer industries is essential for economic growth. The industrial policy encourages development of basic and key industries on the one hand, while attention is paid to the development of consumer industries also on the other. Thus, by balanced and coordinated development of both type of industries it provides a pace to economic growth.

▶ checks the demerits of “foreign assistance. The foreign aid can be used in the national interest if an appropriate industrial policy is pursued by the country.

▶ **Coordination between Small Scale and Large Scale Industries**

- ▶ The industrial policy plays a vital role in coordinated development of small scale or cottage industries and large scale industries. These industries can be made mutually helpful to each other through the provisions of industrial policy.

▶ **Area Determination**

- ▶ The industrial policy determines the area of operation under public and private sector. Proper direction can be shown to private sector through the country's industrial policy.

▶ **Cordial Industrial Relations**

- ▶ A comprehensive industrial policy is needed to establish cordial relations between workers and management. Cordial industrial relations are essential for rapid and sustainable industrialisation.

▶ **Proper Utilisation of Foreign Assistance/investment**

- ▶ An appropriate industrial policy envisages to attract foreign capital and entrepreneurs. It helps rapid industrial development of the country; A well thought of industrial policy checks the demerits of "foreign assistance. The foreign aid can be used in the national interest if an appropriate industrial policy is pursued by the country.

new industrial policy 2019

- ▶ **NEW DELHI: NEW DELHI:** The government will soon constitute a working group on the proposed new industrial policy which is aimed at promoting emerging sectors, reducing regulatory hurdles and making India a manufacturing hub, an official has said. Earlier, the Department for Promotion of Industry and Internal Trade (DPIIT) had prepared the policy and sent it for the Union Cabinet approval, but certain new suggestions have been made with regard to the policy.

- ▶ The working group will rework on it and submit the same to the DPIIT, the official said.

The group will have members from different government departments of the Centre and states, as well as from industry chambers, including the Confederation of Indian Industry (CII).

This will be the third industrial policy after the first in 1956 and the second in 1991. It will replace the industrial policy of 1991 which was prepared in the backdrop of the balance of payment crisis.

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- ▶ The DPIIT had initiated the process of formulation of a new industrial policy in May 2017. The new policy will subsume the National Manufacturing Policy (NMP).

A consultative approach had been taken for policy formulation wherein six thematic focus groups had been used to obtain inputs.

The six areas include manufacturing and MSME; technology and innovation; ease of doing business; infrastructure, investment, trade and fiscal policy; and skills and employability for the future.

The department had floated discussion paper on the policy with an aim to create jobs for the next two decades, promote foreign technology transfer and attract USD 100 billion FDI annually.

It had outlined several constraints to industrial growth -- inadequate infrastructure; restrictive labour laws; complicated business environment; slow technology adoption; low productivity; challenges for trade; and inadequate expenditure on R&D and innovation