

Course– Indian Economy, ECON(H)221

Lecture 32:Industrial policy in India



Topics to be Discussed

➤ Industrial Policy in India



Industrial Sector on the Eve of Independence

- Weak Industrial Base
- Low Capital Intensity
- De-industrialisation of the Country
- Limited Role of Public Sector
- Decline of Handicraft Industry
- Iron & Steel and Jute Industries



Industrial Policy

- Industrial policy is a combination of all government regulation aimed at regulation and control of industrial activities in a country.
- Need of Industrial Policy:
 - Limited Capacity of Private Sector
 - Regulation of Private Sector
 - Regulation of Foreign Sector

Industrial Policy in India

Industrial Policy Resolution 1948

Industrial (Dev. & Reg.) Policy 1956

Industrial Policy 1977

Industrial Policy 1980

New Industrial Policy 1991

Industrial Policy, 1948

First industrial policy statement

Classification of Industry- Industries categorized in three lists

Central List- Important industries like coal, power, railways, civil aviation, arms and ammunition, defence

State list- paper, medicines, textiles, cycles, rikshaw, two-wheelers etc.

Rest of the industries left open for private sector investment

Industrial Policy Resolution 1956

- After the adoption of the Constitution the Industrial Policy was revised and adopted in 1956.
- The policy aimed to speed up the rate of economic growth and industrialization for overall socio-economic development
- In the 50s our industrial base was not very strong and we lacked capital for investment. Therefore, the govt. had to take primary responsibility for industrial development.

Objectives:

- Improvement in living standards and working conditions for the people
- Reduction in income and wealth disparities
- Prevention of private monopolies and prevention of concentration of economic power with a few individuals only.

Industrial Policy Resolution 1956 - features

- Direct responsibility of the government in setting up new industrial undertakings and for developing transport facilities
- To provide equal opportunity to the private sector to develop and expand
- The adoption of the socialistic pattern of society as the national objective
- The need for planned and rapid development
- Promote the cottage and village & small scale industries
- To reduce the disparities in levels of development among different regions

Industrial Policy 1973

- To encourage closer interaction between the agricultural and industrial sectors
- Highest priority to power generation
- Identify products to be reserved for the small scale sector: list of industries exclusively reserved for the small scale sector expanded from 180 items to more than 500 items.
- Within the small scale sector, a tiny sector was also defined with investment in machinery and equipment up to Rs.1 lakh & located in towns with a population < 50,000 according to 1971 census figures, and in villages.
- Proposal for special legislation to protect cottage and household industries
- Regulation of prices to ensure adequate return to the investor.

Industrial Policy 1977

Emphasis on

- Meeting inputs demands of a large number of smaller units and making adequate marketing arrangements.
- upgrading the technology of small units.
- the development of small scale industries, the investment limit was raised to ₹ 2 Lakh, ₹ 20 Lakh, and ₹ 25 Lakh, in the case of tiny, small scale and ancillaries units respectively
- building buffer stocks of essential raw materials for the Small Scale Industries through the Small Industries Development Corporations in the States and the National Small Industries Corporation in the Centre
- Optimum utilization of energy resources and alternative sources of energy and also giving special assistance, including finance on concessional terms.

The Industrial Policy Statement 1980

Attempted to provide for;

- Optimum utilization of installed capacity
- Maximum production and achieving higher productivity
- Higher employment generation
- Correction of regional imbalances
- Strengthening of the agricultural base through agro-based industries and promotion of optimum inter-sectoral relationship
- Promotion of export-oriented industries
- Promotion of economic federalism, equitable spread of investments.

Thank you

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