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INDUSTRIAL DEVELOPMENT POLICIES IN INDIA- HISTORICAL PERSPECTIVE

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Abstract

Examine the Historical Indian industrialization, Pressure for industrial Liberalization internal factors and external factors, Industrial Development Policies, Industrial Policy Prior to 1991, Industrial Liberalization 1985 and New Economic Policy, Poverty and Unemployment, Rural industrialization Issues. The New Industrial Development Policy resolution 1991 has been prepared under the form work of privatization and globalization. The government of India announced a series of measures aimed at deregulation and liberalization of industry. These measures, described as New Economic Policy. But the rural industrialization issues are completely missing from the Industrial policy. Development depends on industrialization and industrialization depends on Industrial Development Policies. India has facing number of challenges including poverty and unemployment. At the time of Independence in 1947, India was a typically backward economy. Owing to poor technical and industrialization was limited and lop-sided. Country suffered from the twin problems of rampant poverty and unemployment both making for low general standard of living. The new policy Industrial policy 1991, industrial radical changes “To unshackle the Indian industrial economy from the cobwebs of unnecessary bureaucratic controls”. Evaluated the efficacy of different Industrial resolutions in industrialization Development of the nation in the background of performance.

Keywords: Industrialization, Development, Poverty, Unemployment, Privatization, Globalization, Rural Industrialization Issues.

Introduction

India had hardly any industrial policy in this sense before independence India was a colony of great Briton. Form the middle of the 19th century until the outbreak of the First World War, the tariff Policy was based on the principle of free trade. Demand mad by Indians for active assistance by the Government towards industrialization of the country remained unheeded.

Development depends on Industrialization and industrialization depends on Industrial Development Policy. The first Industrial Policy of the Government of Indian was announced in the April, 1948. Subsequently Industrial Development. Policy resolution 1956, 1980, 1990 and 1991 were announced.

Objectives of the study

1. Present paper discussed on the consequences and impact of the industrial development policies 1991.
2. To study the policies on Industrial Development in India.
3. To compare before and after 1991 policies.
4. Comparison of Development, poverty, unemployment and rural industrialization issues.

Methodology

This is a descriptive research paper based on secondary data have been collected through various websites, books and research articles.

History of Indian Industrial Development Policy

Hundreds of years, the traders and merchants went on incising their important training process in the pre-industrial period but they did not provide a solid foundation for industrial system. It is only in the sixteenth century that the idea of Industrialization occurred. It was the investors and entrepreneurs, who proved to be the active agent of changes in the industrialization process. Economic development is a process with the help of which a country increased its national income over long period. Before the Second World War the attention of most of the countries was focused on the problems of depression and unemployment.

Economists view that economic development is purely industrialization. Industrial development has been a major factor in the economic development. Development in many countries is the shift of resource from agriculture to industry Indian leaders also realized the importance of industrialization. In the background that the central government, then the Prime Minister P.V.Narasimha Rao had announced its New Industrial policy on 24th July, 1991. Industrial Development Policy since its incompletion and assess the likely impact of the new Industrial Policy on the future growth of the Indian economy.

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Pressure for Industrial Liberalization

Internal factors: During the first three decades of economic planning (1950-80), Indian economy grew at a modest rate of 3.5 per cent per annum. During the same period, the population grew at an average rate of about 2 percent per annum. The rate of growth in terms of per capita income was around 1.5 percent per annum. Economic policies of the first three decades of planning led to inferior quality of domestic production with high cost as compared to world prices. Mounting losses of public sector enterprises were causing great concern to the government, both at the central and state levels.

External Factors: Major external factors pressuring for reforms included the following, Economic reforms in India may partly be explained as a fall out of the collapse of Soviet Union which initially inspired Indian leaders in favor of economic planning and public sector. Whit the dismemberment of Soviet Union, western powers lost interest in Asia and India lost its strategic importance, beginning 1950, USA, wanting to checkmate the spread of communism in Asian region, liberally used the aid-weapon to win over economically-weak Asian nations. After the collapse of Soviet Union, the scenario changed in Asia and Eastern Europe. At the 23rd annual meeting of the Asian Development Bank held in New Delhi in May 1990, both USA and Japan, two major donors to the Asian Development fund, sought postponement of negations on future commitments to the fund. The gulf crisis dealt a severe blow to India's foreign exchanges reserves. Thousands of Indians warning in the gulf contraries had to be airlifted from the war zone to India. They were a source of foreign exchange through remittances.

INDUSTRIAL POLICY PRIOR TO 1991

Industrial Policy Resolution, 1948

The first important industrial policy statement was mad in the industrial policy resolution, 1948 issued by the government of India an April 6, 1948, the resolution accepted the privet and public sectors in the industrial economy of India, if divided industries into the following,

1. Industries where started had monopoly. In this category, arms and ammunition, atomic energy and rail transport.
2. Mixed sector category following 6 industries were specified-coal, iron and steel, aircraft manufacturing, ship building manufacture of telephone, telegraph and wireless apparatus (excluding radio sets) and mineral oils.

Industries (Development and Regulation) Act, 1951

To control and requite the process of Industrial Development in the country an Act was passed by the parliament in October 1951, known as the industries (development and Regulation) Act, 1951, the Act came into force on May 8, 1952. Though it aimed at bot, development and equation of private sector, its main task over the year has been to concert ate more on the 'regulation' aspect.

1. Under Restrictive Provisions designed to curb unfair practices adopted by industries. The government could cancel the licensing if the undertaking was not set up within the stipulated period.
2. Under Reformative provisions category. The government felt that a particular industry was not being run satisfactory. It could issue direction for currying out reforms. If these directions were not heeded to, the government and control of that unit in its hands.

Industrial Policy Resolution, 1956

The 1956 Resolution laid dour the Following objectives for the Industrial Policy: 1.to accelerates the rate of growth and to speed up industrialization 2. To develop heavy industries and machine making industries, 3. To expand public sector, 4. To reduce disparities in income and wealth, 5. To build up a large and growing corporative sector, 6. To prevent monopolies and the concentration of wealth and income in the hands of all small number of the individuals.

As compared to the 1948 per solution, the 1956 Resolution considerably enlarged the area of operation of the public sector as the exclusive responsibility of the state was enlarged from 6 to 17 industries (schedule A). In addition, another category including12 industries (schedule B) was defined where the state could participate on an increasing scale. However, the 1956 resolution dropped the 'threat' of nationalization that the 1948 Resolution and the division of industries in different categories was more flexible in the former as compared to the later. The fact is that the basic objective of both the Resolutions was the same segmenting the mixed economy structure of the country.

New Economic Policy and Industrial Liberalization, 1985

Liberalization mence deregulation and delicensing of industry, relation entry barriers and removing restrictions on capacity expansion. In India, the towards liberalization announced a series of measures aimed at deregulation and liberalization of industry. These mence, described as new Economic Policy frame work of the seventh Five Year Plan (1985-90).

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Economic reforms were set in motion, though on a Prime Minister Rajiv Gandhi introduced a series of measures. Through its 1985 industrial Policy to reduce control on industrials, particularly large industries. Further, a number of policy and procedural changes were introduced in 1985 and aimed at increasing productivity, reducing costs and improving quality. The technological and managerial modernization of industry was stressed as the key instrument for increasing productivity and improving our competitiveness in the world. After Independence, the Government of India spelt out its approach to the development of the industrial sector in the Industrial Policy Resolution 1948. This was followed by the Industrial Policy Resolution 1956. In between, the government introduced the industries (Development and Resolution) Act, 1951 to regulate and control the development of the private sector. In 1969, MRTP act (Monopolies and Restrictive Trade Practices Act) was adopted to prevent connection of economic power and control monopolies. Another legislation that had considerable implication for industrial policy (as far as the participation of foreign companies in industrial sector of India is, concerned) was the foreign Exchange Regulation Act (FERA) adopted in 1973. However, all these measures which guided and determined the state intervention in the field of industrial development failed in achieving the objectives laid down for them. They also created a number of inefficiencies distortions and rigidities in the system, therefore, the government started liberalizing the industrial policy in 1970s and 1980s. Prime Minister Rajiv Gandhi introduced as series of measures through its 1985 industrial policy to reduce control on Industries particularly large industries these were followed by drastic changes introduced in the 1991 industrial Policy of Indian Government.

Implementation of the New Industrial Policy, 1991

In present era of (liberalization, Privatization and Globalization) traditional institutions of Industrial Resolution of Industrial Relations are losing their relevance. By many accounts, industrial relations today are in crisis. The process of economic reforms initiated in 1985 got a big boost. During 1990's the new policy implemented by the Dr. Manmohan Singh had brought tremendous changes in Indian Industrial Polices.

Objectives of the New Industrial Development Policy 1991

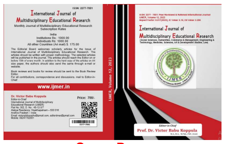
This new policy de-regulates the industrial economy in a substantial manner. The major objectives of the new policy are "to build on the gain already made correct the distortions or weaknesses that might have crumpet in, maintain a sustained growth productivity and gainful employment and attain international competitiveness. In pursuing of these objectives, the government announced a series of initiatives in respect of the policies relating to the following areas:

1. Industrial licensing.
2. Foreign Investment and Technology.
3. Public Sector Policy.
4. Monopolies and Restrictive Trade Practice, Act.

The actual operation of the industrial policy (Particularly the industrial licensing policy) has been a subject of much debit and criticism several studies of the implementation of the licensing policies and the functioning of the industrial approval system pointed out a number of flaws and deficiencies. Reports of the various committees and commissions appointed by the government list (monopolies enquiry commissions in April 1964, Dr. R. K. Hazari in 1965 and Dutta committee in 1967) pointed out that the licensing policy had failed to achieve its objective. In many cases, the result were just the opposite of what the government had planned. Prime Minister Mr. P. V. Narasimha Rao announced a new Industrial Policy in the Indian parliament on July 24, 1991. The Policy Introduced radical changes "to unshackle the Indian industrial economy from of unnecessary bureaucratic controls". In raised the limit for foreign equity holding from 40 percent. The automatic clearance for direct foreign investment up to 51 percent in high priority areas was a clear signal that the foreign investment was welcomed. The new policy also announced automatic permission for foreign technology agreements in high priority industries. Moreover, the policy made liberal provisions for hiring foreign technicians and foreign testing of indigenously developed technology.

Industrial Licensing

Industrial Licensing Policy in India has been governed by the industries (Development and Regulation) Act, 1951 Industrial Licensing policy and procedures have been liberalized considerably from time to time. The 1991 industrial policy abolished industrial licensing for all but 18 industries. The industries for which licensing was kept necessary and brewing of alcoholic drinks, sugar, animal fats and oils, cigars and cigarettes, asbestos and asbestos based products, plywood and other wood-based products, raw hide and skins and leather, tanned or dressed fur skins, motor cars; paper and newsprint. Electronic eater ailment electronic and white goods (domestic refrigerators, washing machines, etc...) White the passage of time, most of these industries has also been delicensed. Industrial licensing is abolished for all projects except for a limited number of industries related to security and strategic concerns, social reasons, hazards chemicals, environmental recoups and luxury consumption goods. The number of such industries for which license will be continued to be required.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Foreign Investment and Technology

As in the case of domestic industrial investment, foreign investment has also been traditionally required in India. In the case of both foreign investment and technology agreements sought by Indian firms as well as foreign investment, it was necessary to obtain specific prior approval from the government for each project. Therefor the new industrial policy prepared specified list of high technology and high investment priority industries wherein automatic permission was to be made available for direct foreign investment up to 51 per cent foreign equity. The industries in which automatic approval was granted included a wide range of industrial activities in the capital goods and metallurgical industries, entertainment electronics food processing and the services sectors having significant export potential, besides, these included a number of others industries which are important for the rapid growth of the economy.

Public sector's Role Diluted

The 1956 Resolution had reserved 17 industries for the public sector. The 1991, industrial policy reduced this number in 8.
1. Arms and ammunition.
2. Atomic energy.
3. Coal and liquate.
4. Mineral oils.
5. Mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond.
6. Mining of copper, lead, zinc, tin, molybdenum and woltarm.
7. Minerals specified in the schedule to the atomic energy (control of production and use order), 1953 and
8. Raid transport, in 1993, items 5 and 6wer deleted from the reserved list.

In 1998- 1991, item 3 and 4 were also taken out from the reserved list. On May 9, 2001, the government opened up arms and ammunition sector also to the private sector. This now leaves only 3 industries reserved exclusive for the public sector.

Monopolies and Restrictive Trade Practice (MRTP) Limit Goes

Under the MRTP Act, all items with assets above a certain size (rs.100 core since 1985) were classified as MRTP firms such firms were permitted to enter selected industries only and this also on a case-by-case approval basis. In addition to control through industrial licensing, separate approvals were required by such large firms for any investment proposals, the government felt that this was having a deleterious effect on many large firms in their plane for growth and diversification. The new industrial policy therefore scrapped the threshold limit of assets in respect of MRTP and dominant under taking these firms will now be at par with others and not require prior approval from the government for investment in the relicensed industries.

Issues

Industrial Unemployment

The exact size of the industrial unemployment in India is the known because the necessary data for its estimation are not available. During the period industrial sector has steadily increased. At present, 65 per cent of the industrial employment is in the organized sector. A disquietude phenomenon, however, is that over the past three decades unemployment in the industrial sector has increased. This is the result of extremely low growth rate of employment in the organized manufacturing industry. The other factored which have contributed to an increase in industrial unemployment over the years are many. First, there has been a large increase of the economically active population in the country, while the economy has failed to grow at a pace commensurate with the growth of labor force. Secondly, population in the urban areas has growth faster than in rural areas, because of the migration on a big scale from villages to cities. The industrial growth in India since Independence has been very modest, and thus could not absorb all those who migrated to cities with the hope of getting some job or the other. There is widespread dis guised unemployment in agriculture.

Rural and Urban unemployment

Presently it would be wrong to ignore the Keynesian involuntary unemployment, yet the structural unemployment remains a greeter cause of anxiety, for analytical convening classify unemployment country as 1. Urban unemployment and 2.Rural unemployment.

Unemployment in underdeveloped countries is both open and disguised. Like all other underdeveloped countries, India presently shutters mainly from structural unemployment.

The most of disturbing feature of urban employment during the 1990s was declaration in organized sector employment. In this period though industrial growth has been rather slow, most of the unemployment in India is definitely structural. During the 1961-2001 period, population in this country had growth at an alarming rate of around 2.15 per cent per annum and with if the number of people coming to the labor market in search of jobs had also increased rapidly, whereas employment opportunities did not increase most of the time correspondingly due to slow economic growth. Hence there has been an increase in the volume of unemployment from one plan period to another. In rural sector, most the employment is in agriculture and allied activities. Employment away from agriculture and primarily activates, towards secondary and tertiary sectors is rather small.

Industrial Poverty

Gaps between the policy and latest trends, large number of unorganized labour falls below poverty line. They are not all educated and marked by low level of literacy. They are migrant in nature menace they have no stability but shift from one place to another they are dispersed all over the country. The government decides its policy measure to solve the poverty problem. The composition of work force in India is quite surprising. According to the latest survey it has been found that 93% of labor work force is unorganized and just 7% of the workforce falls in the category of organized sector. The new industrial policy states that the government will undertake review of the existing public enterprises in low technologies, small scale and non-strategic areas as also when there is low or nil social consideration or public purpose. The new industrial policy indicates the government's intention to invite a greater degree of participation by the private sector in important areas of the economy. Total labour force in India in the unorganized sector is around 360 million, out of the which 107 million are working as lands agriculture labour; 130 million work in other as total agriculture work; 237 million work as total agriculture labor and 132 million in non-agriculture labor the last Industrial development Policy resolution 1991 has been prepared under the frame worth of Liberalization, Privatization and Globalization, but the rural industrialization issue is completely missing from it. The MRTP Act has been accordingly amended. The now amended act gives more emphasis to the prevention and control of monopolistic, restrictive and unfair trade practice so that consumers are adequately protected from such practices.

Suggestions

1. There should be equal priority given to the agriculture and Industries.
2. To reduce the poverty Indian youth should be given training in skills, technical skills along with better education.
3. Industries should be established where there is skilled population.
4. Reforms should be made to reduce Imbalanced between skilled population (Doctors, Engineers) and place of the work or place where services required.
5. The problem of Industrial Unemployment can be talked satisfactory by setting up Industries in rural and semi-urban areas.

Conclusion

An Indian economic condition was worse by the time of independence. There was illiteracy, poverty around the county. After independence 45 years 1st stage, 25 years 2nd stage treated as free market. In the year of 1991 there was a reform of Liberalization, privatization and globalization took place in India. In 1991, prime minister P.V Narasimha Rao opened the doors for reforms. Dr. Manmohan Singh lunched them. His decisions took great control oven Indian Economy, gave Priority to the privet sector, there was healthy compaction among the other Industries and traders, these things moved towards for benefit of common man of India.

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