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## Industrial Policy

At the time of Independence, 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 the Indian Industrial history.

### Industrial Policy

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 Indian government in the development of industrial sector.

With the introduction of new economic policies, the main aim of the government was to free the Indian industry from the chains of licensing. The regulatory roles of the Indian government refer to the policies towards industries, their establishments, their functioning, their expansion, their growth as well as their management.

Industrial growth of a country is guided and regulated through its industrial policies.

### I. 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 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, defence equipment, heavy chemicals, etc.
- **Industries with Mixed sector:** This category included industries that were allowed to operate independently in 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.

## II. Industrial Policy Resolution, 1956

This second industrial policy was announced on April 20, 1956, which replaced the policy of 1948. The features of this policy were:

- A new classification of Industries.
- Non-discriminatory and fair treatment for the private sector.
- Promotion of village and small-scale industries.
- To achieve development by removing regional disparity.
- Labour welfare.

The IRDA divided industries into three categories:

- **Schedule A industries:** The industries that were under the monopoly of the state or government. It included 7 industries. The private sector was also introduced in this industries if national interest required.
- **Schedule B industries:** In this category of industries, the state was allowed to establish new units but the private sector was not denied to set up or expand existing units e.g. chemical industries, fertilizer, synthetic, rubber, aluminium etc.
- **Schedule C industries:** So the industries that were not a part of the above-mentioned industries then it formed a part of Schedule C industries.

To summarize, the policy of 1956 in which the state was given a primary role for industrial development as capital was scarce and business was not strong.

## III. Indian Policy Statement, 1973

Indian Policy Statement of 1973 identified high priority industries with investment from large industrial houses and foreign companies were permitted. Large industries were permitted to start operations in rural and backward areas with a view to developing those areas and enabling the growth of small industries around. And so the basic features of Indian Policy Statement were:

- The policy was directed towards removing the distortions, it provided for closer interaction between agriculture and industrial sector.
- Priority was given towards generation and transmission of power.
- The list of industries reserved for the small-scale sector was expanded.
- Special legislation was made to protect cottage and household industries were introduced.

## IV. Indian Policy Statement 1977

Indian Policy Statement was announced by George Fernandes then 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.

## **V. Industrial Policy, 1980**

The Congress government announced this policy on July 23rd, 1980. The features of this policy are:

- Promotion of balanced growth.
- Extension and simplification of automatic expansion.
- Taking over industrial sick units.
- Regulation and control of unauthorized excess production capabilities installed for industrial houses.
- Redefining the role of small-scale units.
- Improving the performance of the public sector.

## **VI. New Industrial Policy, 1991**

The features of NIP, 1991 are as follows:

- Public sector de-reservation and privatization of public sector through disinvestment.
- Industrial licensing.
- Amendments to Monopolies and Restrictive Trade Practices (MRTP) Act, 1969.
- Liberalised 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.