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INDUSTRIAL POLICIES OF INDIA

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Abstract:- The government of india has been introducing industrial policy from time to time since independence. The purpose was always same, to improve the industrial sector, to incresase the growth rate of the economy. But as the economic, political and legal conditions of a country changes, it is necessary to make reforms in the policies, so that we can improve our industrial sector, to better regulate and control them.

Keywords:industrial policy, industries, investment, employment.

INTRODUCTION

Objectives of study: The objective of this research paper is to take a look of the industrial policies of india since independence, and to analyse the current scenario of for industrial sector, to see the opportunities for the industries, as provided by the efforts of government of India.

RESEARCH METHODOLOGY:

This is a descriptive research paper based on secondary data. Data have been collected through various websites and publications of recent research papers available in different websites, Newspapers, Research Articles.

INDUSTRIAL POLICY

Industrial policy, sometimes called IP, refers to the government policy towards the establishment, working and management of industries in the country. These policies have a significant impact on industries. To a great extent, the opportunities and threats of a business are determined by Industrial policy and regulations. They lay down limits and norms for the conduct of business. Industrial policy is a part of economic policy.

The actions taken by a government in an economy are called economic policies. These policies can influence the nature and structure of an economy. These policies define the role of government in economic field.

A few examples of the kinds of economic policies are discussed here in brief. Macroeconomic stabilization policy, which helps in price stabilization. It attempts to keep the money supply growing at a rate that doesn't result in excessive inflation. Trade, which includes tariffs, trade agreements and the international institutions that govern them. Government designs liberal monetary policies to create and accelerate economic growth. Policies dealing with the redistribution of income, property and/or wealth, regulatory policy, anti -trust policy, industrial policy and technology-based economic development policy .Industrial, policy monetary policy, fiscal policy, foreign trade policy, are the main examples of economic policies.

INDUSTRIAL POLICIES IN INDIA :AN OVERVIEW

Since independence industrial activity in india is carried on according to the industrial policy statements made by the Government from time to time.

Indudtrial policy resolution 1948: This indsustrial policy was designed to achieve the following objectives:

1.to establish a social order wherein justice and equality of opportunity shall be secured to all the people;
2.to promote standard of living of people by exploiting resources;
3.to increase both agriculture and industrial production;
4.to offer employment opportunities to all.

There were four broad categories to classify Industries;

- central government would have the sole ownership, control and management on the manufacture of arms and ammunitions, atomic energy and railways.
- The second category, compromising coal, iron, and steel manufacturers of telephones telegraphs and wireless machines, other than radio sets. New units in this category of industries would be set up by the government only.
- Industries included in the third category were of bsic importance and therefore would be planned and regulated by the state. The industries were salt, automobiles, machines tools, chemical, fertilizers, non-ferrous metals, rubber manufacturers, power and industrial alcohol, cotton, and woolen textiles, current, sugar, paper, news print, air and sea transport, minerals and industries related to defence.
- Fourth category included all remaining industries, which were left to the initiative of private sector (individual as well as cooperatives). Private sector was free to own, control and mange these industries without the intervention of the state. However state had the authority to supervise these industries too.

The main thrust of the policy was to lay the foundation of a mixed economy in which both private and public enterprises would together to accelerate industrial development in the country.

Industrial policy resolution, 1956: adoption of the constitution of India in 1950, initiation of the First Five year Plan in 1951 and acceptance by the parliament of "the socialist pattern of society" as the basic goal of social and economic policy necessitated a new industrial policy which was announced in 1956. Industrial policy 1956 sought to achieve the following objectives:

1.to reduce disparities in income and wealth;
2.to prevent monopolies and concentration of economic power;
3.to build a large and growing public sector;
4.to develop heavy and machine making industries, and
5.to accelerate the rate of industrialization and economic growth.

All industries were classified into three broad categories:

•Schedule A- State owned industries (17 industries),
•Schedule B- Mixed sector to be progressively owned by the State (20 industries); and
•Schedule C- Private sector.

The focus of the poicy was on cottage and small scale industries, industries, industrial corporate, development of backward areas, education and training of managerial and technical personnel for the growing public sector.

Industrial Policy Statement, 1977 : The Janata Party Government announced a new industrial policy in December 1977. It was stated that the industrial policy of 1956 had resulted in certain distortion, like unemployment, rural urban disparities, industrial sickness, etc. the main features of 1977 policy were:

1)Focus on the development of small scale sector.
2)Classification of large scale sector into (a) basic industries , (b) capital goods industries, (c) high technology industries, and (d) other industries.
3)Control of large business houses.
4)Expansion of public sector.
5)Majority ownership and control to be in Indian hands, except in case of export-oriented and high technology areas.

Industrial Policy Resolution, 1980: after the re –arrival of late shrimati Indira Gandhi, as the Prime Minister of the country, there was a change in the reins of governance. It was felt necessary to revisit the industrial policy statement of 1977. Indusrial policy statement of 1980 focused on the following:

1)With the objective of raising the industrial output at the rapid rate,it was to emphasize Optimum utilization of installed capacity.
2)FDI would be welcomed in those areas where modern technology was required and where domestic investment was lacking.

3)Effective management of the public sector.
4)Economic federalism by integrating industrial development of large and small sectors.
5)Boosting the development of small scale industries by redefining them.
6)Promotion of industries in rural and backward areas to remove regional imbalances.
7)Higher employment generation.
8)Promoting of export-oriented industries. All efforts would be initiated to diversify the exports base of the country to attend to the problems of surging current account deficit(CAD)
9)Consumer protection against high prices and poor quality.

Industrial Policy Resolution 1990 : The National Front Government announced its industrial policy on may 30, 1990. The main objectives of this policy were:

1)Employment generation;
2)Industrial dispersal and decentralization;
3)Rural industrialization;
4)Promotion of small scale and agro-based industries; and
5)Export promotion.

Industrial policy, 1991

We should look at both merits and demerits of the industrial policy 1991, if we want to have unbiased appraisal.

Merits of the policy :

1.To raise the level of industrial efficiency, time consuming hurdles of regulations, licenses and restrictions would either be done away with or made industry friendly. Inflow of FDI and foreign technology transfers would be encouraged.
2.Additions to the supply of investible resources and technology would result in increased industrial production and productivity.
3.With the abolition of licensing system in most industries except 5, the wave of liberalization would boost the entrepreneurial skills in the economy.
4.Pruning/de reservatioin of Industries for the public sector would boost professionalism in this secotr. Increased autonomy would usher in dynamism for the betterment.
5.NIP-1991 made a special mention about the role and importance of small scale industries. The state would initiate measures to promote and strengthen small, tiny and village industries, which have large potential to deal with the problems like unemployment, regional disparities, income inequalities and inflation.
6.As the government of the country is obliged to protect the interest of workers, this policy would lay special emphasis to enhance the welfare and upgrade the economic and social status of the worker. To ensure long-lasting and cordial relations between the workers and the management, they (workers) would participate in the management decisions of the enterprises.riny

Demerits of this policy are few. Many industries reserved for public sector earlier, were dereserved in the new policy. It was alleged that this move cause slow down the growth of basic and key industries. Liberalization and privatization would result in 'crony capitalism' unaccompanied with increased efficiency. Concentration of economic power in fewer hands would perpetuate the widening gap between haves and have nots'. Liberlizatoin of licensing might lead to regional imbalnces. Enhanced role of FDI and increased inflow of technological transfers might jeoparadize the sovereignty of the country. Small scale industries might not succed to face competition.

MRTP Act: with the growing complexity of industrial structureand the need for achieving economies of scale for ensuring higher productivity and competitive advantage in the international markets, the interference of the government through the MRTP Act has to be restricted. Therefore, pre entry restrictions with regard to prior approval of the Central Government for establishing new undertakings, expanding existing undertakings, amalgamation, mergers, etc. will be removed. The thrust of the policy will be more on controlling and regulating monopolistic, restrictive and unfair practices.

Impact of 1991 industrial policy

•Project time and project cost have declined due to deregulation of industry.
•The policy has facilitated the flow of foreign capital technology and managerial expertise thereby improving efficiency of industry.

•Opening of areas reserved for public sector to private sector has enhanced efficiency of resource allocation. Privatization of public enterprises and closure or efficiency or rehabilitation of sick units have also improved such efficiency.
•Memorandum of Undertakings (MoU) greater autonomy and professonalisation have led toimprovement in the public sector.

Current situation

Currently the government of India is doing hard efforts in industrial sector. The government is very concentrated towards this sector. Government is willilng to give a business friendly environment to the industrial sector. Reforms in investment area will be contributing to the india's economic growth and development. Ratings of Standard & Poor also gives a positive sign in this regard. We will discuss all these things one by one.

Investment reforms to aid India's growth: Standard & Poor's

Recently, global credit ratings firm Standard & Poor's has said, reforms that strengthen fiscal health and improve investment climate could boost India's growth prospects. India is expected to grow in excess of 6% next financial year starting April, after an around 5.5% expansion this year. "Further reforms that improve the investment climate and strengthen fiscal health in India and Indonesia could brighten long-term growth prospects," S&P said in its review of Asia-Pacific ratings.

S&P has a BBB-minus - the lowest investment grade - rating on India with a stable outlook. In its review in September, the ratings firm had pointed to a possible upgrade. "We could raise the rating if the economy reverts to a real per capita GDP trend growth of 5.5% per year and fiscal, external, or inflation metrics improve," it had said. Inflation has already moderated significantly and growth is looking up. The new government has taken measures to improve sentiment, which are "welcomed by investors", it said in a report.

Government committed to business-friendly environment: Jayant Sinha

The government has introduced many reforms through legislation, including GST, as against a few via the Ordinance route and is committed to making India a business friendly destination, said Minister of State for Finance Jayant Sinha. The Goods and Service Tax (GST) is a Value (VAT) to be implement India. It will replace all indirect taxes levied on goods and services by the Indian Central and State governments. It is aimed at being comprehensive for most goods and services.

"I would say there is a range of economic measures that we want to take...few of our reforms measures are through ordinances, but there are many more that have been taken through legislation. GST Constitutional Amendment Bill has been taken through legislation route," Sinha said at India Today Global Round Table. "It demonstrates our intent that we are undertaking very fundamental reform measures. We are doing it all for the purpose of ease of doing business," he added.

Sinha's comments come amid debate that the government is using the Ordinance route to push reforms as it does not have a majority in the Upper House.

On Foreign Direct Investments, Shina said: "There is a tidal wave of investment that is coming in. There are other big ticket FDI announcements that have to come over the time. FDI is something that is permanent money. It is associated with projects, it is associated with business plans, and so we should just wait for all these things to happen. Sinha also said that South Korean steel giant Posco has inked a joint venture with SAIL for an investment.

"Posco delegates visited recently. They signed a Joint Venture with Steel Authority of India (SAIL). They will invest a significant amount in Bokaro (steel plant). A very significant amount of investment will also be coming into e-commerce," he added.

Talking about visit of US President Barack Obama after two days, the minister said that the Indo-US ties are goiong to reach new heights with this visit.

Obama was in India for a three-day visit from January 25-27. He was invited by Prime Minister Narendra Modi to watch the Republic Day parade on January 26.
Among others, Sinha said government will play its role as a facilitator more effectively so as to produce a much better environment.

"Business to business linkages are very far ahead of the government to government linkages. On government to government side we have to ensure that there is no friction, we need to resolve those. There are many things that we are working on. The collaboration is happening," he added.

He also said there is a growing confidence in the Indian economy with USD 40 billion coming into the debt and equity markets last year.

Government to ensure taxation not an extra burden for investors: Arvind Subramanian, Chief Economic

Advisor. As the government works to improve ease of doing business in India, it is taking all steps to ensure that taxation does not become an extra burden for foreign investments, a top official said. This is a work in progress and cannot be completed overnight, Chief Economic Advisor Arvind Subramanian said here on the sidelines of the WEF Annual Meeting. "The whole taxation issue is indeed a concern for the foreign investors and the government is doing all that it can do to address this problem," Subramanian told in an interview. He was responding to a query about the various taxation issues raised by foreign investors here and whether the issue of retrospective tax was still an overhang in their minds. "But it is not something that will change overnight because it is not about changing policy, but also about changing administration, which takes much more time. "It is a work in progress and the government is doing all that it can do to make sure that taxation is not an extra burden for foreign investments of all kinds," he added. Subramanian said the government is also taking various other steps to improve ease of doing business in the country. "There are also issues like land laws, labour laws... reforms have been happening on those fronts," he added. Asked whether these steps would materially improve India's ranking on the World Bank list, he said, "We will have to wait for the World Bank to measure how these efforts have helped in terms of ranking. "Besides, the real measure will be seen in terms of actual investments that would flow in."

ET GBS: Capitalise on Narendra Modi government’s Make in India campaign, says DIPP to Industry

Instead of harping on the bottlenecks of the past, businesses must capitalise on the new impetus that will be provided by the Narendra Modi government's Make in India campaign, department of industrial policy and promotion (DIPP) secretary Amitabh Kant told industry participants at the roundtable on the manufacturing initiative at the ET Global Business Summit . Kant rejected the argument that Make in India should focus on the domestic market, saying that no one manufactures only for India. Central bank governor Raghuram Rajan, among others, has suggested that an export-led strategy modeled on China may no longer be valid because of changes in global trade trends. Kant said industry must believe in the principle of "export or perish", especially since some of China's strengths may be fading.

"With just 1.6 per cent share in global exports, India has a large potential market to tap," he said. "China is becoming cost incompetent, which offers a big opportunity to India."

The Make in India campaign launched by Prime Minister Modi in September aims to increase ease of doing business in the country by focusing on 25 manufacturing sectors.

Venkatesh Kini, president of Coca-Cola India and Southwest Asia, said making in India for the world looked unviable due to infrastructural constraints.

Kant underlined that the proposed industrial corridors will significantly drive down transportation costs, making it easier for companies and encouraging outbound trade.

The dedicated freight corridor between Mumbai and Delhi is expected to be completed toward the end of 2017, leading to drastic savings in time and money. "The western dedicated freight corridors being planned will bring down the time of transportation for goods between Delhi and Mumbai from 13 days to 13 hours," Kant said. Delhi Mumbai Industrial Corridor Development Corp. under the DIPP is expected to launch four industrial cities by March, beginning with Dholera in Gujarat. These are to be developed as part of the ecosystem that will be created.
For instance, "the Amritsar-Kolkata industrial corridor passing through the agri belt will give a thrust to the food processing industry," Kant said.

The government is currently working on five industrial corridors--Delhi-Mumbai, Amritsar-Kolkata, Chennai-Bengaluru, Bengaluru-Mumbai and Vizag-Chennai—linking various parts of India.While the government plans to put in place a wide range of reforms, industry needs to push for innovation, Kant said.

"Besides reforms, mindset change is very important," he said. "Government is taking the ordinance route for a lot of significant reforms. Predictability in policy is very important. There are strong legacy issues related to lack of predictable policy regime."

Industrial policy to attract investment in Daman & Diu region

With an aim to create about 40,000 jobs and facilitating Rs 5,000 crore of new investment into the region in next 5 years, Union Territories of Daman & Diu and Dadra & Nagar Haveli have come out with an industrial policy.

The industrial policy aims at achieving industrial growth rate of 12-14 per cent per annum in the UTs.

In order to meet the policy objectives, the Administration has identified certain thrust areas for investment and that include textiles, IT pharmaceutical, light engineering, plastics, marble tile, tourism, creative and entertainment Industry. It said that the thrust areas are meant to serve as a broad indicative areas in which investments will be encouraged and infrastructure developed. "There is a need to launch an industrial policy for these UTs so as to overcome the hurdles being faced by the industry at present and to supplement and augment the existing growth pattern through well thought out and sustainable policy measures," the policy said. The administration will focus on the eight prioritised areas including investor facilitation, land pooling, infrastructure development, minimising transaction cost, skill development, tourism infrastructure, technology innovation and labour intensive industry, it added. "Scheme of incentive to industry (will) be launched soon for 2015-16. Guiding principles (have) been laid down in policy," Ashish Kundra, Administrator, Daman & Diu and Dadra and Nagar Haveli said in a tweet. To ensure smooth and hassle-free experience to investors by reducing administrative bottlenecks and easing the process of investment, an investor facilitation portal - Daman & Diu and Dadra & Nagar Niveshak Sugamta - will be set up which would act as a single window facilitation mechanism for investors. The policy said that simplified combined application form has been designed for investors which subsumes all details of regulatory clearances required from the time of purchase of land, change of land use, to establishment of factory and operation of plant. Further, an Investment Promotion Council will serve as the apex body for investment clearances, monitoring, oversight. Beside boosting economic growth, the industrial policy will encourage diversification of economic activity and help the UTs to become a key hub for niche manufacturing activity.

CONCLUSION:

Government of india is doing many efforts to give a boost to the industrial sector. Industrial sector will be supported by the government policies for industrial sector. Reforms in investment sector are supporting for this purpose. As the level investment improves that is helpful for both large and small scale industries. This will give rise to the level of employmen, and therefore the income level will also increase. the credit ratings of standard & poor also gives a positive sign for rising India. So, we can say that india is going towards a bright future, that will have a high level of economic growth and development in terms of GDP, GNP, improved per capita income, better employment level etc.

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