



## An evaluation on Industrial policies during 65 years of India's Independence

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### ***Abstract:***

*The main objective of this paper is to evaluate the Indian industrial policies in the prerogative of Dr. Babasaheb Ambedkar views on India's industries. Many provisions have been included in the directive Principles of state policy in the constitution processing industries should also be developed Dr. Ambedkar Stressed Rural Industrialization. The industrial policy of the Indian government is in keeping with Dr. Ambedkar expectation. He gave more priority to industrialization to fast development of India. He believed that industrialization creating large scale employment produces essential goods for mass consumption, it utilizes raw materials, reduces foreign dependence and increasing security to labour, and ultimately leads to the overall economic development of the country. Further, he also he thought that private sector industries are unable to perform this task satisfactory for want of large - scale investment and they may create monopoly and centralization. He also suggested that the insurance and transport companies should be nationalized. In this context, the present paper tries to explore the pattern of current industrial policies that whether these are in favour of nationalization or to privatization.*

***Keywords:*** privatization, centralization, constitution of India

### **Introduction:**

The pattern and pace of development of the economy are significantly influenced by industrial policies to a large extent; the policies reflected the socio economic and political ideology of development. The policy of 1956 and the fundamental principles which reined until 1991 were described by some people as the economic constitution of India. The policy indicated the respective roles of public, private, joint, co-operative, small medium large scale industries and the economic development strategy. The development to a very significant extent has been guided and regulated by the industrial policies. The Indian constitution incorporates a number of matters that are economically very significant and have far reaching implications. According to dimock "the

two powerful institutions in society today are business and government", where they meet on common ground amicably or otherwise together they determine public policy for a nation". Major economic policy decisions often have political under pinning. The adoption of the principle of socialist pattern of society as the socio economic philosophy by congress party ruled until 1995 except for a brief period of 1977-80 mainly responsible for public sector dominated development strategy until early 1990's. The leftists in India have been demanding a more restrictive regime. The policy resolution had grown more and more restrictive until about the mid 70's. Having realized the deleterious effects of the restrictive regime the 1980's saw a slow process of liberalization. The era de-regulation ushered by Narasimha Rao government



in 1991 is an open acknowledgement of failure of control regime to deliver the goods. The Indian planners were fascinated and influenced by the Russian model so that the development strategy in India was directed towards creating socialist pattern of society. It is interesting to note that following the introduction of political and economic reforms in the erstwhile USSR, THE SOVIET NEWS PAPER IZVESTIA which observed that many elements of the economic system were borrowed from the soviet model, stated that the main culprit for the present economic crisis in India was the obsolete economic system based on socialism.

#### **A Retrospect on the industrial policies:**

In reference to the industrial policy resolution of 1948 government recognized the need for a mixed economy and reserve national monopolies only for atomic energy and rail road industries. More over the government could regulate and license 18 industries of national importance. The main thrust of the 1948 policy was to lay foundation of a mixed economy which both public and private enterprises could march hand in hand to accelerate the process of industrial development. In this policy nationalistic view we are more evident where the state was given power to takeover industries.

**Industries development and regulation act 1951:** To control and regulate the process of industrial development in the country an act was passed in parliament in October 1951 known as IDRA 1951. This came into force on May 8<sup>th</sup> 1952 under this no new units be established without a license from central government. Governments could take under its own management

undertakings which failed to carry out its instructions for improvement in managerial policies. This act empowered the government to setup development councils for goals of industries the government can prescribe price, methods of volume of promotion. In this policy the government was the sole body to regulate the establishment of industries.

#### **Industrial policy statement of 1956:**

After the adoption of 1948 resolution significant developments to place in India. Economic planning proceeded on an organized basis and five year plans were completed. Also parliament accepted the socialist pattern of society as the basic aim of social and economic policy. The resolution laid down three categories schedule 'A', 'B', 'C'. This clear cut grouping of industries was not water tight compartments and room for exceptions was made. For the first time this resolution emphasized the role of small scale industries in the development of national economy. Importance of the SSI sector in providing employment was given emphasis. This policy emphasized dispersal of industries to backward areas.

#### **New licensing policy and procedure**

**1970:** In February 1970 the government announced its new licensing policy. It accepted the recommendations of the industrial licensing policy enquiry committee that there should be list of core industries in the economy consisting of agricultural inputs, iron & steel, heavy industrial machinery, ship building and dredgers etc...

Nationalistic ideas still continued in framing these policies.



**The Industrial policy resolution of 1977:**

The central government announced a new policy by a way of statement in the parliament. This policy resulted in certain distortions like un-employment, rural urban disparities widened and real investment stagnated. The thrust of this policy was on effective promotion of cottage and small industries to be widely spread in rural areas. The focal point of development of small scale industries was taken from big cities to districts. The concept of district industries centre was introduced and for the first time within the SSI sector a new concept of tiny sector was introduced. There was an expansion of the list of reserved items for SSI sectors recommended by the karve committee in 1967. This policy mostly was in liberalistic view point to take away disparities.

**The industrial policy of 1980:** This policy was guided merely by consideration of growth the policy statement focused on the need for promoting competition in the domestic market, technological up gradation and modernization. This policy chooses a more capital intensive path of development and under played the employment objective. This policy made a sea change in terms of liberalization. This policy emphasized purely on liberalization.

**The new policy 1991:** The central government led Mr.Narasimha Rao announced the new policy in July 1991. After the previous policies and unstable politics Indian economy was on the verge of collapse. At that point of time it must be noted that the reform announced in 1991 were not completely contradictory to the general trend in policy. Concerns about the lack of competitiveness of Indian industry and consequent poor export performance and poor growth

record compared to east Asian economies that had focused on export led growth had led to some liberalization of both the licensing and trade policies in the late 70s and 80s. However the reforms in 1991 did make significant changes in industrial trade and public sector policies. Some significant changes announced in the July 1991 policy are abolishing licensing for all projects except 18 industries, MRTP act emended to eliminate prior approval to large companies for capacity expansion, the requirement of phased manufacturing programs discontinued for all new projects, schedule A industries reserved exclusively for state enterprises which were cut down from 17 to 8, schedule B of industries where state enterprises were to acquire a dominant position abolished, small scale enterprises allowed to offer up to 24 percent of shareholding to large enterprises.

As far as foreign direct investment regulations the following changes were made.

Limit on foreign equity holdings raised from 40 percent to 51 percent in wide range of industries. Foreign equity proposals need not be accompanied by foreign technology transfer agreement. Procedures for FDI streamlined by creating a foreign investment promotion board to consider individual applications case by case. Technology imports liberalize by increasing royalty limits.

From the public sector point of view the following changes were made:

List of industries reserved for public sector reduced list of sectors reserved for dominance by public sector schedule B effectively abolished. Disinvestment in selected public sector enterprises to raise



finances for development, bring in greater accountability and help create a new culture in their working for improved efficiency. Government equity ranging from 5 percent to 20 percent in 31 PSE's (public sector enterprises) with good track record. Disinvested to public sector mutual fund and financial institutions. The policy of piece-meal economic liberalization started since the early 1980s which had favourable effect. The communist countries had taken up privatisation at an amazing speed in short; the economy was influenced by socialist and communist views which followed liberalization and privatization. At the same time economic crisis in India was demanding for rejuvenation and dramatic change that could sustain an influx of investment.

#### **Conclusion:**

With reference to economic policies de-bureaucratising is challenging task. A strong mandate and political will and bold administrative measures are essential for implementing several of the proposals the government often shows signs of confusion and lack of boldness on the face of opposition from trade unions and politicians. For example, in the face of strong opposition from the trade unions, the governments stand on privatization has not been clear. The development of the infrastructure in India even after liberalization is tardy. One can't expect wonders out of belated measures. The leftist parties totally are against liberalizing policies as they feel the domestic industry may lose its competitiveness in with standing foreign players.

The economic policy of united front government expressed in common minimum program observed that there

was no substitute for growth and countries GDP need to grow to abolish endemic poverty and unemployment. UF government stated that it is committed for faster economic growth. Deregulation and de control is required to accelerate economic development. India's economic liberalization is almost unanimously accepted by all political parties so that it is irreversible. Whichever political party or combined comes to power in future, the difference will be, at the most, in its fine tuning to related factors which include balanced regional development and secularism. Politics should no more be related to ideologies of political parties whims and fallacies. Political parties must strive to carry forward the laid objectives and need to incorporate developmental objectives. Development since 1991 has demonstrated the growth and competitive impulses that the liberalization can generate. Dr.B.R.Ambedkar viewed small industries should be kept in private as they create large scale investment. Rights to strike should be given to labourers to fight against in justice. In India nationalistic orientation towards industrialization is irreversible economic development can only be possible with these ideologies. After the independence the industrial policy of Indian government is in keeping with Ambedkar's expectations. However lacunae has to be removed to implement the propose reforms in letter and spirit.



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