UNIT 7 : INDIAN INDUSTRY: DEVELOPMENTAL EXPERIENCES

UNIT STRUCTURE

7.1 Learning Objectives
7.2 Introduction
7.3 Strategy of Industrial Development in India
7.4 Industrial Development and the Trend of Industrial Production since Independence
7.4.1 Industrial Development since Independence
7.4 2 Trend of Industrial Production since Independence
7.5 Problems of Industrialisation in India
7.6 Industrial Policy Resolution, 1956
7.7 Industrial Licensing Policy prior to 1991
7.8 New Industrial Policy, 1991
7.9 Let Us Sum Up
7.10 Further Reading
7.11 Answers to Check Your Progress
7.12 Model Questions

7.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- discuss the strategies of the industrial development in India
- state the status of industrial development and the trend of industrial production
- point out the problems Indian industries are having to tackle, explain the major features of IPR, 1956
- describe the licensing policies relating to industry
- explain the New Industrial Policy of 1991

7.2 INTRODUCTION

India has made considerable economic progress since its Independence. Most noticeable are the expansion and diversification of production both in

industry and agriculture. New technologies were introduced in many industries. Industrial investment took place in a large variety of new industries. Modern management techniques were introduced. Over the years, the Government has built the infrastructure required by the industry and has made massive investments to provide the much-needed facilities of power, communications, roads etc. However, with the changing time, the economy has been transformed from public sector controlled economy into a liberal economy, where the private sector has to play the major role in the changing circumstances of the global economy. This unit will introduce you to the industrial sector of India, and the major changes it has witnessed over the years, in terms of policies and practices.

7.3 STRATEGY OF INDUSTRIAL DEVELOPMENT IN INDIA

The British left the industrial sector of India in a very distressed situation. On one hand, it destroyed the traditional handloom and handicraft industries of India and on the other, transformed the economy to be the consumer of machine made products imported from England. The centre piece of India's development strategy thus, was the modernization of the economy through industrialization. The development strategy adopted by the Indian planners consisted of the following:

- **Establishment the Industrial Infrastructure with Pubic Efforts:** Private industrial effort was viewed inadequate for the task of developing India's infrastructure. Underlying this view, public sector was involved in the task of establishing the industrial infrastructure of the country. Even non-infrastructure sectors such as steel, chemicals or machine tools may be subject to coordination or linkage issues that require a *'big push'* further supporting public interest. Thus, India's leaders embarked on a programme of government occupation of the 'commanding heights' of the economy.
- **Expansion and Modernisation of Industries:** The rapid pace of industrial growth and the development of productive capacity required the expansion and modernization of coal mining, as coal is India's primary

source of fuel for the industries. In fact, public sector enterprises were created to take leading roles in all industries and sectors viewed as central to the industrialization programme, including steel, chemicals, and engineering, as well as trade and finance.

- **Establishment of Heavy Industries:** From the very inception of economic planning in India, the engineering industry including machine building industry represented the core of India's development process. A broad-based industrial structure could not be sustained except on the basis of a strong, vibrant growth- oriented engineering sector. At the same time, the engineering industry was encouraged to develop indigenous skills and know-how and reduce dependence on imported technology. It was realized that technological skills and expertise alone could lead to high productivity levels and consequently to high levels of incomes. The engineering industry was therefore being promoted to act as a catalytic agent for overall economic development.
- **Import substitution:** Another aspect of the industrial strategy was the policy of import substitution. From the very beginning, a shortage of foreign exchange was anticipated as a major constraint to developmental efforts. It was therefore rightly decided to reduce the demand of imports and to promote generation of foreign exchange earnings. Substantial measures were taken for import substitution, and thus, preserving foreign exchange for development.
- **Emphasis on Science and Technology:** Significant progress has been made in science and technology. Indian scientists and technologists have made advances in the development of nuclear power, and the use of space technology for communications and resource development. The country has been able to train a cadre of technical manpower which can handle cement factories, chemical fertilizer units, oil refineries, power houses, steel plants, locomotive factories, engineering industries etc. However, small and cottage industries and other rural activities have not received the research and development support that they required.
- **Emphasis on Agricultural and service sectors:** A large infra-structure

consisting of a network of irrigation, storage works and canals, hydro and thermal power generation, regional power grids, a largely electrified and diesel run railway system, national and state highways on which a rapidly growing road transport fleet can operate and telecommunications system covering most urban centres and linking India with the rest of the world has been built up. Additionally an efficient complex of refineries, pipelines, storage and distribution system has been built up. The development of modern industry as well as of agriculture has stimulated the growth of banking, insurance and commerce and required expansion and modernization of ports, shipping and internal and external air services.



CHECK YOUR PROGRESS

Q 1 : State whether the following statements are True or False :

(a) The British took steps to promote the indigenous industries of India. (T/F).

(b) Establishment of heavy industries with the help of the private sector was the strategy of the government. (T/F)

Q 2 : How did the strategy of import substitution help India? (Answer in about 50 words).

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7.4 INDUSTRIAL DEVELOPMENT AND THE TREND OF INDUSTRIAL PRODUCTION SINCE INDEPENDENCE

In the following sections, we shall discuss industrial development and the trend of industrial production of Indian industries since independence.

7.4.1 Industrial Development since Independence

You have already studied that in the post-independence period, India started to develop different types of industries with the help of economic planning. The index of industrial production (Base 1980-81=100) increased from 18.3 in 1950-51 to 65.3 in 1970-71. During this twenty years period of planning, some basic and heavy industries were developed in the country. Due to the expansion of the industrial base, the index of industrial production had again increased from 100 in 1980-81 to 196.4 in 1989-90, then to 154.9 in 1999-2000 and then to 221.5 in 2005-06. (**Source:** *Economic Survey*, 1992-93, 1997-98 and 2006-07). In the recent years (Base 2011-12=100) the IIP has increased to 1.4.6 in 2016-17, 104.4 in 2017-18 and the declined to 103.8 in 2018-19. Further, IIP increased to 129 in 2019-20, but declined to 118.1 in 2020-21. In 2021-22, IIP further rose to 131.6 (**Source:** CSO, MOSPI)

The process of industrialisation, launched as a conscious and deliberate policy under the framework of Industrial Policy Resolution of 1956 involved heavy investments in building up capacity over a wide spectrum of industries. As a result, industrial production has gone up by more than five times during the last 60 years, making India the tenth most industrial country in the world.

The industrial structure is widely diversified covering broadly the entire range of consumer, intermediate and capital goods. With the expansion of public sector enterprises, joint sector enterprises and private sector enterprises in the later period, various types of industries have developed in the country. The public sector industries produce goods like coal, steel, light and heavy engineering goods, power, petroleum, minerals and metals, fertilizers, chemicals and pharmaceuticals, textiles, transportation equipments, construction materials, electricity, gas etc.

The private sector corporates are engaged in manufacturing textiles, metal products, chemicals, construction materials,

electronics, leather and leather goods, manufacture of foodstuffs and its processing, agriculture and agro-based industries.

The progress India has made in the field of industrialization is clearly reflected in the commodity composition of India's foreign trade in which the share of imports of manufactured goods has steadily declined. On the other hand, industrial products particularly engineering goods have become a growing component of India's exports. Finally, the rapid stride in industrialization has been accompanied by a corresponding growth in technological and managerial skills for efficient operation of the most sophisticated industries and also for planning, designing and construction of such industries.

7.4 2 Trend of Industrial Production since Independence

Industrial growth has not been uniform since 1951. After a steady growth of 8 percent during the first fourteen years (1951 to 1965), the growth began to fluctuate. Industrial growth was almost stagnant during 1967-68. It was 9.5 percent during 1976-77 but 1.4 percent in 1979-80. During 1980-85, the growth rate of industrial production was 5.5 percent per annum. During the seventh plan, (1985-90), the growth rate had picked up to an average of over 8 percent per annum and in the eight plan (1992-1997) it had declined to 7.3 percent per annum. During the ninth plan (1997-2002) industrial growth fell to 4.6 percent per annum but during the tenth plan (2002-2007), it again went up to about 9.1 percent per annum.

Let us consider Table 7.1 depicting the growth of industrial production in a wide variety of industries over the years, since 1950-51 to 2013-14.

From Table 7.1, it can be easily inferred that there has been huge increase in the volume of production in a wide variety of industries. From just a meager 9 million tonnes of fertilizers in 1950-51, the country has produced 16,902 million tonnes in 2013-14. Impressive increase in production has also been recorded in electricity, cloth, aluminimum, commercial vehicles, finished steels

as well as cement and paper & paper board.

Table 7.1 : Growth of Industrial Production of Selected Commodities over the Years

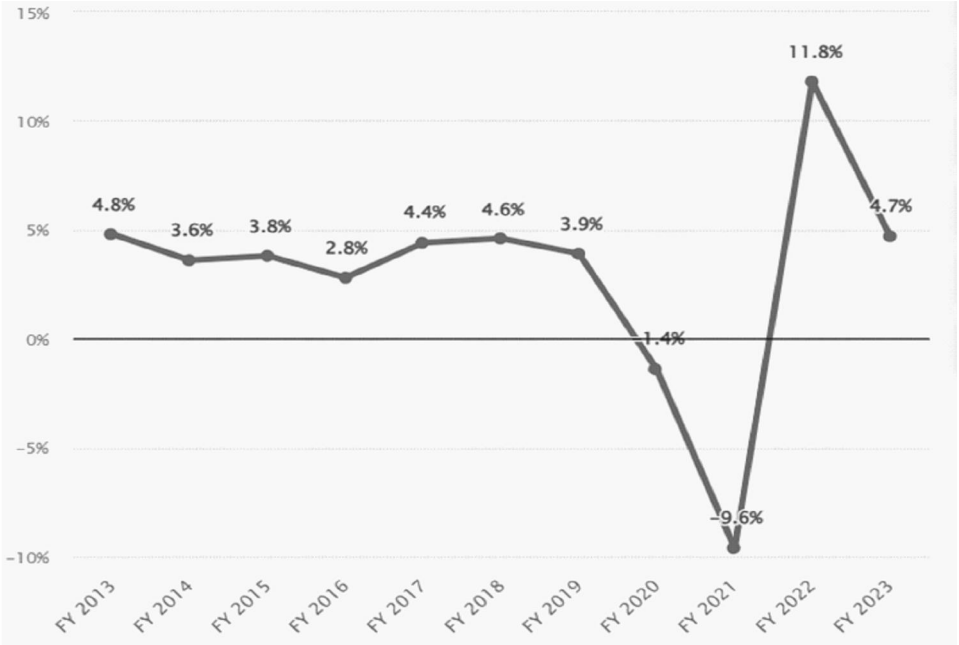
Sl	Commodity and units	1950-50	1970-71	2005-06	2013-14
1	Cloth (in million meters)	4,215	7,602	23,873	63,500
2	Fertilisers (in '000 tonnes)	9	830	11,402	16,092
3	Cement (in million tonnes)	2.7	14.3	147.8	255.00
4	Finished steels (in million tonnes)	1.0	4.6	44.5	87.7
5	Electricity (in billion kwh)	5.1	55.8	617.0	967.2
6	Aluminium (in '000 tonnes)	4.0	168.8	560.5	3958
7	Paper, paper board (in '000 tonnes)	116	755	3,913	4389*
8	Commercial vehicle (in '000 units)	8.6	41.2	391.0	910.2*

Source: *Datt & Sundharam's Indiain Economy, 2016.*

**Figures are for the year 2014-15.*

Annual growth rate of production in the manufacturing industry in India from financial year 2013 to 2023 has been shown with the help of Figure 7.1.

Figue 7.1: Annual growth rate of production in the manufacturing industry in India from financial year 2013 to 2023

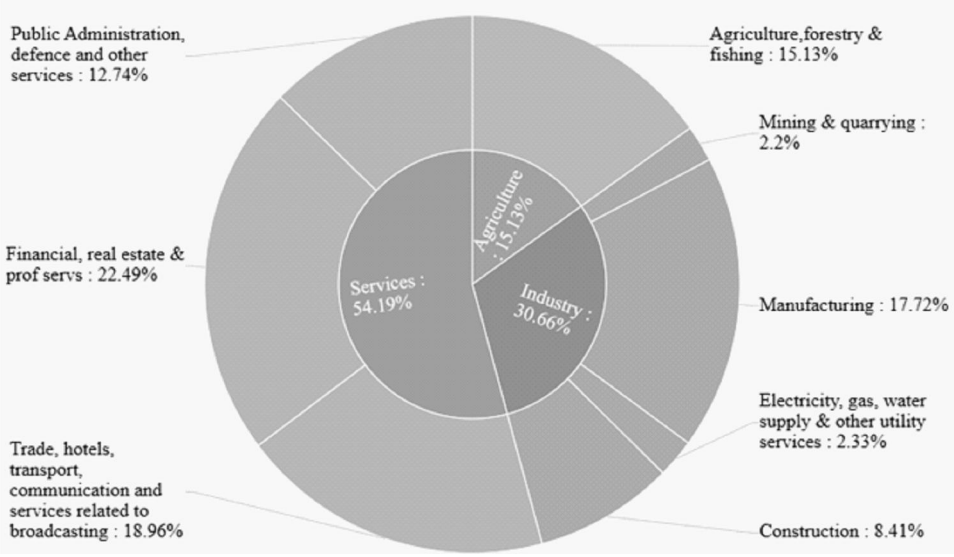


Source: https://www.statista.com/statistics/661391/manufacturing-industry-production-growth-rate-india/

From Figure 7.1, it has been seen that the manufacturing sector in India has grown approximately 4 percent on an average, other than the years 2020 and 2021. Covid-19 had a severe affect on this sector, not only in India but also in almost all the countries of the world. In 2022, the sector recorded the highest growth of 11.8 percent, basically because in the immediate post-pandemic year, these was huge activities in the sector. In the following year, i.e., in 2023, the sector recorded a 4.7 percent growth rate.

Contribution of the industrial sector to GDP: The contribution of the industrial sector to the GDP of the country was 15 percent in 1950-51. It gradually increased to 22.3 percent in 1970-71, and then to 26.8 percent in 2007-08 (Economic Survey 2007-08). According to the Economic Survey of India (2022-23), the industrial sector accounts for 31 percent of India's GDP and employs over 12.1 crore people. The contribution of the three sectors of the economy and the major sub-sectors in 2022-23 has been shown in Figure 7.2. It can been seen that among the different industrial sub-sectors, manufacturing contributes the most. In fact, contribution of manufacturng (18 percent) is more than the entire agriculture sector (15 percent).

Figure 7.2 : Sector-wise GDP in India (2022-23) (At 2011-12 prices)



Source : https://statisticstimes.com/economy/country/india-gdp-sectorwise.php



CHECK YOUR PROGRESS

Q 3 : State whether the following statements are True or False.

(a) During the first twenty years of planning, India established a series of micro industries in the public sector for the production of consumer products. (T/F)

(b) The industrial structure in India is widely diversified. (T/F).

Q 4 : State the plan-wise rate of growth of industrial production after the 1980s and till the recent years. (Answer in about 60 words)

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7.5 PROBLEMS OF INDUSTRIALISATION IN INDIA

It is true that industrialisation in India since independence has significanty contributed towards the growth in national income, increasing employment opportunities and thereby making positive impact on reduction of poverty and improvement in health and education of the people of India. However, the industrial sector of India is facing some crucial problems, which is retarding its pace of growth. Some of India's current problems regarding industrialisation are mentioned below:-

Infrastructure : Even when the country set up a heavy industrial base of basic industries, it lacks the industrial base that propels rapid economic growth of the globalised economies today. Thus, poor infrastructure is acting as a drag on the Indian economy, and the Indian government is now attracting private domestic and foreign investment to build the backbone of a modern economy. This includes massive improvements in telecommunications, power, energy, and transport.

India has recognised the vital role telecommunications play in the growth of the economy. The Indian telecom sector was wholly under government ownership and control until recently and was characterised by

under-investment and outdated equipment. Advanced communication services through the use of latest information technologies becoming increasingly common. Foreign collaboration is also being encouraged in mobile phones and other communication technologies. The power problems are severe in India with irregular power supply and damaging voltage fluctuations that require companies to generate their own power. Investment in energy is a sound way of increasing manufacturing activity.

As part of India's liberalisation efforts, the transportation sector has been opened to private investment. Some of the recent schemes launched for the rapid development of the infrastructural facilities in India include the following:

- PM Gati Shakti.
- Smart Cities Mission Portal by Ministry of Urban Development.
- Atal Mission for Rejuvenation and Urban Transformation (AMRUT).
- Lumpsum Provision for the Benefit of North Eastern Region including Sikkim.
- National Urban Information System Scheme.

Inefficient Public sector : We have already seen that in an attempt to build up the industrial base of the economy, the country had created a huge public sector. But India's public sector is notoriously bloated and inefficient. Instances are there when the World Bank turned down applications for power loans for projects in some states because of mismanagement in their governance. Many electricity boards have become insolvent as a result of providing electricity at extremely subsidised rates and ignoring large-scale thefts of electricity. State governments have been unable or unwilling to take the politically unpalatable decisions needed to make their electricity boards viable.

The most telling evidence of the cost of delaying reform is the sheer effort companies have to expend to cope with the country's labyrinthine bureaucracy. For example, foreign investors continue to seek permission from the Foreign Investment Promotion Board, even though their plans are covered by the automatic approvals system.

Tax Problems : India's tax system is highly defective and should be transformed with high differential tax rates falling on a narrow base, into one with tax rates at moderate levels falling on a broad base. The 1995 fiscal budget reduced taxes on corporate income, and a major reform of excise taxes was implemented to make it resemble a value-added tax more closely. To make collection of direct taxes more efficient, Government has introduced GST (Goods and Service Tax) system in the country.

But the government's income is also constrained by an inefficient taxation system. Rural areas are not taxed, because in most of the states of India, agricultural income tax has not been implemented. Income tax is skilfully dodged. This leaves the government with excise and customs duties, which represent two thirds of all taxes.

Inefficient Labour market : India needs greater labour market flexibility to make its companies more competitive and its economy more productive. Politically powerful labour unions have stifled most efforts of serious reform or privatisation of India's largest public sector enterprises. Thus, public sector banks, insurance companies, and many major industries are being run inefficiently. Thus, it has been criticized that India's labour laws hinder efficiency and growth.

Financial sector : India's financial sector still cannot effectively mobilise and mediate capital to respond to economic changes. The resulting high cost of capital makes Indian industry and exports less competitive. In spite of recent improvements, India's equity markets are still too thin and volatile to inspire great confidence on the part of domestic or foreign investors. India's banking system remains flawed, with the dominant state-owned banks still carrying bad loans amounting to 15 to 25 percent of their total.

Environmental Pollution : The environmental problems in India are growing rapidly. The increasing economic development and a rapidly growing population that has taken the country from 300 million people in 1947 to more than 1.3 people today is putting a strain on the environment, infrastructure, and the country's natural resources. Industrial pollution, soil erosion, deforestation, rapid industrialization, urbanization, and land degradation are all worsening problems. Overexploitation of the country's

resources has resulted in environmental degradation of resources. Environmental pollution is one of the most serious problems facing humanity and other life forms on our planet today.



CHECK YOUR PROGRESS

Q 5 : State whether the following statements are True or False:

(a) The tax system of India is highly efficient. (T/F)

(b) Indian exports are less competitive. (T/F).

Q 6 : Outline the prospects of the of the telecommunication sector in India. (Answer in about 60 words).

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7.6 INDUSTRIAL POLICY RESOLUTION, 1956

Immediately after Independence, the Government of India introduced the Industrial Policy Resolution, 1948. This policy resolution outlined the approach to industrial growth and development. It emphasized the importance to the economy of securing a continuous increase in production and ensuring its equitable distribution. After the adoption of the Constitution and the socio-economic goals, the Industrial Policy was comprehensively revised and adopted in 1956. To meet new challenges, from time to time, it was modified through statements in 1973, 1977, 1980 and 1991.

Industrial Policy Resolution, 1956 : The Industrial Policy Resolution of 1956 (IPR, 1956) had the objective of accelerating of the rate of economic growth and the speeding up of industrialisation as a means of achieving a socialist pattern of society. This industrial policy is said to have drawn the road map of Indian industries. Major provisions of IPR, 1956 include:

- **New classification of industries :** The IPR 1956 categorised different industries of the country into three major categories and listed them in three schedules as follows:
  - ***Schedule A:*** This list contained a total of 17 industries that were open only to the public sector. These industries were: arms and ammunition; atomic energy; iron and steel; heavy castings and forgings of iron and steel; heavy machinery required for iron and steel production, for mining and for machine tools manufacturing; heavy electrical industries; coal; mineral oils, mining; iron ore and other important minerals like copper, lead and zinc; aircraft; air transport, railway transport, shipbuilding; telephone, telegraph and wireless equipment; generation and distribution of electricity.
  - ***Schedule B:*** This list included the 12 industries in which the public sector is expected to play the lead role. The private sector is expected to play supplementary efforts in these industries. These industries were: other mining not included in schedule A; aluminimum and other non-ferrous metals not included in Schedule A; machine tools; ferro alloys and tool steels; the chemical industry; antibiotics and other essential drugs; fertilizers; synthetic rubber; carbonization of coal; chemical pulp; road transport; sea transport.
  - ***Schedule C:*** This list included all other remaining industries and their future development would, in general be left to the private sector.
- **Fair and non-discriminatory treatment to private sector:** To facilitate and promote enterprising activities of the private sector, the state was to undertake the facilitating role by providing infrastructural facilities, like transport, power and other services and by taking appropriate fiscal and other measures. In case of existence of private sector and public sector enterprises in the same industry, the duty of the government was to practise non-discriminatory treatment to both of them.
- **Promotion of village and small-scale enterprises:** For the promotion off village and small-scale enterprises, the State was to limit its volume of production in its similar big industries. Again, provision of differential tax treatment and direct subsidies were also allowed.

- **Removal of regional disparities:** IPR, 1956 also had emphasized on the removal of regional disparities among the different regions of the country. According to it, proper attention to agricultural sector across all regions of the country should also be paid, such that the standard of living of all the people across the country is improved.

Apart from the IPR, 1956, India has adopted the Industrial Policy Statement of 1977 which laid emphasis on decentralisation and on the role of small-scale, tiny and cottage industries. The Industrial Policy Statement of 1980 focused attention on the need for promoting competition in the domestic market, liberalization of the licensing policy, technological upgradation and modernisation.



CHECK YOUR PROGRESS

Q 7 : State whether the following statements are True or False :

(a) The first industrial policy resolution in India was adopted in 1956. (T/F)

(b) The Industrial Policy Resolution of 1956 classified the industrial sector of Indian into 5 major categories. (T/F).

Q 8 : Which industries were included in Schedule B of the IPR, 1956? (Answer in about 60 words).

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7.7 INDUSTRIAL LICENSING POLICY PRIOR TO 1991

Industrial licensing policy prior to 1991 in India can be discussed under the framework of two major industrial acts/policies: a) Industries (Development & Regulation) Act, 1951 and b) Industrial Policy, 1980.

- **Industries (Development & Regulation) Act, 1951 :** In the post-independence period, the first industrial licensing policy was adopted in line with Industries (Development & Regulation) Act, 1951, which was

framed in accordance with the IPR, 1948. The important provisions of this act were:

- Licensing from the Union Government is compulsory for setting up of new industrial units as well as major expansion of existing units. In case of grant of license to new industrial units, government has the authority to lay conditions regarding location, minimum volume of production, etc.
- If particular undertakings fail to effectively implement the instructions of the government regarding improvement in managerial practices and policies, government has the authority to take control of the management of such undertakings.
- According to this policy, government had the authority to prescribe prices as well as methods, volume of production and the channel of distribution of the finished products.

Later, a number of committees (Dr. R. K Hazari Committee, Subimal Dutt Committee) set up by the Government of India had unearthed a number of loopholes in the process of industrial licensing. The major loopholes were: a) only a few large industrial houses were able to garner most of the benefits. b) No follow up action after the issues of licenses were undertaken. c) Setting up of industries was confined only to 4 states, viz, Maharashtra, West Bengal, Gujarat and Tamil Nadu. These states acquired 62 percent of all the licenses issued by the Centre. This spread regional inequalities in India. d) In practice, industries reserved for the public sector was opened up for private sector.

- **Liberalisation of Industrial Licensing after 1980 :** The Industrial Policy of 1980 made sea changes in terms of liberalizing the licensing in favour of the large business houses. Many provisions of the erstwhile MRTP Act (Monopolies and Restrictive Trade Practices Act) and FERA (Foreign Exchange Regulation Act) were relaxed. Other features of the Industrial Policy of 1980 include:
  - ***Broad band industries*** mean a number of industries in the same product category. For example, in case of fertilizer, there may exist a number of variety of products, viz., NPK, Super Phosphate, Urea,

Copper Aminoate, Bio fertilizers, etc.

The policy of automatic licensing was made applicable for those industries, which wanted to achieve economies of scale, with a minimum of 49 percent rise in the existing volume of production, and aiming to adopt modernization of the industries. In 1986, government delicensed 23 industries from any MRTP and FERA clearance, provided the undertakings were located in the industrially backward areas identified by the Centre.

- Instead of issuing licenses to a particular industry, licenses were issues to ***broad-band industries*** subject to not exceeding the total volume of production as has been made provision for during licensing. This helped the industries to vary their production among a number of variety of goods, based on the market demand.
- The asset limit of the companies as laid down in the MRTP Act, was raised.
- Number of industries requiring compulsory licensing was reduced from 56 to 26.



CHECK YOUR PROGRESS

Q 9 : State whether the following statements are True or False:

(a) The first industrial licensing policy in India was based on the Industrial Policy Resolution of 1948. (T/F)

(b) Industries (Development and Regulation) Act, 1951 had provisions of Government's control on prices, volume of production and also channels of distribution of the finished products. (T/F).

Q 10 : How was the policy of automatic licensing was made applicable in the Industrial Policy of 1980? (Answer in about 40 words).

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7.8 NEW INDUSTRIAL POLICY, 1991

The Government's liberalisation and economic reforms programme is stated in the Industrial Policy Statement of 1991. This policy aims at rapid and substantial economic growth, and integration with the global economy in a harmonised manner. The industrial policy reforms have reduced the industrial licensing requirements, removed restrictions on investment and expansion, and facilitated easy access to foreign technology and foreign direct investment. This policy is also known as Liberalisation, Privatisation and Globalisation (LPG) policy of India.

The main thrusts of the industrial policy of 1991 are the following:

- Number of industries reserved for the public sector as listed in Schedule A of IPR, 1956 has been considerably relduced. Most of the industries have been opened for the private sector.
- Licensing was made mandatory only for 18 industries in 1991. 3 more industries were further relaxed from mandatory licensing in 1993. As of now, only industries need prior licensing from Centre. In most of the cases, the only license today required is the Environmental clearance.
- Entrepreneurs are required to obtain Statutory clearances relating to Pollution Control and Environment for setting up an industrial project. A Notification (SO 60(E) dated 27.1.94) issued under The Environment Protection Act 1986 has listed 29 projects in respect of which environmental clearance needs to be obtained from the Ministry of Environment, Government of India. This list includes industries like petro-chemical complexes, petroleum refineries, cement, thermal power plants, bulk drugs, fertilisers, dyes, paper etc. However if investment is less than Rs. 500 million, such clearance is not necessary, unless it related to pesticides, bulk drugs and pharmaceuticals, asbestos and asbestos products, integrated paint complexes, mining projects, tourism projects of certain parameters, tarred roads in Himalayan areas, distilleries, dyes, foundries and electroplating industries.
- Apart from the liberalization and globalisation of economy, it also aimed at building upon the gains achieved, to correct the distortions, maintain

a sustained growth in productivity and gainful employment and attain international status, dismantling of the regulatory system, development of the capital markets and increasing competitiveness for the benefit of the common man.

- The spread of industrialization to backward areas of the country will be actively promoted through appropriate incentives, institutions and infrastructure investments. While recognizing the role of public sector, the new policy seeks to ensure that the public sector is run on business lines envisaging privatization, disinvestments and public sector restructuring.
- Another major objective of the policy is to integrate the Indian economy with the world economy. There will be emphasis on developing ability to self finance India's imports.
- The policy also aimed at encouraging entrepreneurship, development of indigenous technology, ushering in new technologies by dismantling redundant controls, and developing capital markets. With this end in view, foreign investment will be welcomed. This will bring in new technology, expand the production base and permit increased imports. To achieve these objectives, more dynamic policies in terms of both technology and investment has to be adopted.
- Inflow of Foreign Direct Investment (FDI) was encouraged with an aim to take advantages of technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports. This is particularly necessary in the changing global scenario of industrial and economic cooperation marked by mobility of capital. In order to invite foreign investment in high priority industries, requiring large investments and advanced technology, it has been decided to provide approval for direct foreign investment upto 51 percent foreign equity in such industries.
- With a view to injecting the desired level of technological dynamism in Indian industry, Government will provide automatic approval for technology agreement related to high priority industries within specified parameters. Indian companies will be free to negotiate the terms of

technology transfer with their foreign counterparts according to their own commercial judgment.

- To sustain global competition, government has the indigenous industries to invest much more in research and development than they had done in the past. In order to help this process, the hiring of foreign technicians and foreign testing of indigenously developed technologies, will also not require any prior clearance.



CHECK YOUR PROGRESS

Q 11 : State whether the following statements are True or False :

(a) The New Industrial Policy statement of 1991 is also known as Liberalisation, Privatisation and Globalisation (LPG) policy of India. (T/F)

(b) The public sector of India received a major boost with the initiation of the New Industrial Policy of 1991. (T/F)

Q 12 : What provisions were made with respect to foreign investment in the New Industrial Policy statements of 1991? (Answer in about 60 words).

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7.9 LET US SUM UP

- India has made considerable economic progress since its Independence.
- The centre piece of India's development strategy since independence is modernization through industrialization.
- Most of the industries are located in the states of Maharashtra, West Bengal, Tamil Nadu and Gujarat.

- The index of industrial production had gone up from 7.9 in 1950-51 to 154.7 in 1999-2000. In the recent years, with the base of 2011-12, the IIP had increased to 104.4 in 2017-18, but then declined to 103.8 in 2018-19.
- Several capital goods industries such as iron and steel, fertilizers, chemicals, cement, non-ferrous metals etc-have been set up.
- Consumer goods industries have been expanding since the demand for consumer durables have gone up.
- The rapid expansion of large scale industries has resulted in the comparative neglect of the small and medium sector.
- Sufficient attention has not been given to the promotion of small scale industries in the consumer goods sector which can reconcile the twin objectives of higher growth and higher employment.
- India needs greater labour market flexibility to make its companies more competitive and its economy more productive.
- The spread of industrialisation to backward areas of the country is actively promoted through appropriate incentives, institutions and infrastructure
- Entrepreneurs are required to obtain Statutory clearances relating to Pollution Control and Environment for setting up an industrial project.
- Industrialization in India has not been able to solve the problem of unemployment.



7.10 FURTHER READING

1) Agrawal, A. N. (2019). *Indian Economy: Developmental Problems and Policies.* New Delhi: New Age International Publishers.
2) Datt, G and Mahajan, A. (2016). *Datt & Sundharam's Indian Economy.* New Delhi: S. Chand & Co.
3) Kapila, U. (2003). *Indian Economy since Independence.* New Delhi: Academic Foundation.
4) Misra, S.K. & Puri, V.K. (2018). *Indian Economy.* New Delhi: Himalya Publishing House.

7.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1 : (a) False (b) False

Ans to Q No 2 : The strategy of import substitution helped in the savings of foreign exchanges. Thus, India could utilise the foreign exchanges in its development efforts. It also promoted the domestic industrial sector of the economy.

Ans to Q No 3: (a) False (b) True

Ans to Q No 4: During 1980-85, the growth rate of industrial production per annum was 5.5 percent. During the seventh plan (1985-90), it picked up to over 8 percent. In the eighth plan (1992-97), it slightly declined to 7.3 percent. In the ninth plan (1997-2002), it further declined to 4.6 percent per annum. In the last completed tenth plan (2002-2007), the growth rate rose to 9.1 percent per annum.

Ans to Q No 5: (a) False (b) True

Ans to Q No 6: The telecommunication sector of India has been freed from government controls. The prospect of this sector is very high. This is because of the fact that India has one of the lowest telephone densities (1.3 telephones per 100 population), compared to the world average of 10 per 100 persons. The growth of the information technology (IT) sector in India also signals higher potential of growth for the telecommunication sector.

Ans to Q No 7 : (a) False (b) False

Ans to Q No 8 : The schedule B of the IPR, 1956 included 12 industries in which the public sector was expected to play the lead role. The private sector was expected to play supplementary efforts. Important industries included in this schedule were – coal, synthetic rubber, road transport, sea transport, anti-biotics and other essential drugs, etc.

Ans to Q No 9 : (a) False (b) True

Ans to Q No 10 : The Industrial Policy of 1980 made provisions for automatic licensing to those industries which wanted to achieve economies of scale, with a minimum of 49 percent rise in the existing volume of

production, and aiming to adopt modernization of the industries.

Ans to Q No 11 : (a) True (b) False

Ans to Q No 12 : The inflow of Foreign Direct Investment (FDI) was greatly encouraged in the NEP of 1991. It was encouraged with an aim to take advantage of technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports. In industries requiring large investments and advanced technology, FDI up to 51 percent has been allowed.



7.12 MODEL QUESTIONS

Short Questions (Answer each question in about 150 words)

Q 1 : Discuss briefly the industrial development in India since independence.

Q 2 : Write a short note on the trend of industrial production in India since independence.

Q 3 : State the role of infrastructure in the industrial development of India.

Q 4 : Prepare a short note on the new classification of industries as was listed in the Industrial Policy Resolution of India, 1956.

Essay-type Questions (Answer each question in about 300-500 words)

Q 1 : Discuss the provisions of the industrial licensing policies in India prior to 1991.

Q 2 : Describe the major aims and objectives of the New Industrial Policy, 1991 adopted by India.

Q 3 : Give your views on the pattern and strategy of industrial development in India since independence.

Q 4 : Discuss industrial development in India and its trend since independence.

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