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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8.7 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:

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.

8.4 2 Trend of Industrial Production since Independence

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

Let us consider Table 8.1 depicting the growth of industrial production in a wide variety of industries over the years, since 1950-51 to 2013-14.

From Table 8.1, 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 8.1 : 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 thousand tonnes)	4.0	168.8	560.5	3958
7	Paper & paper board (in thousand tonnes)	116	755	3,913	4389*
8	Commercial vehicle (in thousand units)	8.6	41.2	391.0	910.2*

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

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

The contribution of the industrial sector to the GDP of the country was 15% in 1950-51. It gradually increased to 22.3% in 1970-71, and then to 26.8% in 2007-08 (Economic Survey 2007-08). Table 8.2 shows the Index of Industrial Production of India.

Table 8.2 : Growth of Index of Industrial Production of India

Industry Group	Weight	% of growth	
		2007-08	2008-09
Mining	104.7	5.1	2.3
Manufacturing	793.6	9.0	2.3
Electricity	101.7	6.4	2.8
Growth by use based industrial groups			
Basic goods	355.7	7.0	2.5
Capital goods	92.6	18.0	7.0
Intermediate goods	265.1	9.0	-2.8
Consumer goods	286.6	6.1	4.4
Durables	53.7	-1.0	4.4
Non-durables	233.0	8.6	4.4
General Index	1000	8.5	2.4

Sources : Economic Survey 2008-09; Report of Central Statistical Organisation.

- ***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



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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8.5 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

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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8.6 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:

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. There is a vast potential for extending these services in India, which has one of the world's smallest telephone densities of 1.3 per 100 people, compared with the world average of 10 per 100. Advanced communication services such as fax, data transmission, and leased circuits are becoming increasingly common. Foreign collaboration is also being encouraged in cellular phones and paging systems. The power problems are severe in India with three-hour-a-day power cuts 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. The government is offering incentives to invest $4.7 billion to construct and operate bypass roads, highways, bridges, railways, and ports.

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. The World Bank has turned down applications for power loans worth $750 million for projects in some states because of mismanagement in their government. 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 has been implemented to make it resemble a value-added tax more closely.

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% 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 one billion 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.