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% has been allowed.

8.12 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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- 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% 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.



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% 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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8.11 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%. During the seventh plan (1985-90), it picked up to over 8%. In the eighth plan (1992-97), it slightly declined to 7.3%. In the ninth plan (1997-2002), it further declined to 4.6% per annum. In the last completed tenth plan (2002-2007), the growth rate rose to 9.1% 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% rise in the existing volume of production, and aiming to adopt modernization of the industries.

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.

8.10 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.

8.8 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% 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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8.9 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