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Industrial Policy - 1991

Introduction

On July 24, 1991, Government of India announced its new industrial Policy with an aim to correct the distortion and weakness of the Industrial structure of the country.
The new industrial policy was a major structural break for the Indian economy. The policy has deregulated the Industrial sector in a substantial manner. The major aims of the new policy were; to carry forward the gains already made in the industrial sector; Correct the existing market distortion from the industrial sector; to provide gainful and productive employment; to attain global competitiveness.

Objectives of Industrial Policy 1991 :

Features of Industrial Policy 1991:

This new model of economic reform is commonly known as LPG or (liberalisation privatisation and globalisation model) The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economies of the world.

Licensing Policy :

The policy abolished the industrial licensing for all industries except for a short list of 18 industries this list of 18 industries was further pruned in 1999 whereby the number reduced to 5 industries.

- *Drugs and pharmaceuticals.*
- *Hazardous chemical.*
- *Explosive such as gunpowder and detonating fuses and electronic, aerospace and defense equipment.*
- *Tobacco products*
- *Alcoholic drinks*

The compulsion for obtaining prior approval for setting units in metros was also removed. However, In this policy, industries reserved for the small scale sector were continued to be so reserved.

Public Sector :

Only 2 sectors were finally left reserved for public sector.
- *Nuclear energy and minerals which are used for nuclear power*
- *Railo Transport*

Foreign Investment and Capital :

*This was the first industrial policy in which foreign companies where allowed to have majority stake in India. In 47 high priority industries, up to 51% FDI was allowed. For export trading houses, FDI up to 74% was allowed. Today there are sectors in the economy where government allow 100% FDI. The government also established a special empowered board called "**foreign investment promotion board** " (FIPB) to negotiate with international firms and approved FDI in selected areas.*

Review in Public Sector Investment :

A promise was made to review the portfolio of the public sector investment with a view to focus the public sector on strategic hightech and essential infrastructure.This indicated a disinvestment of public sector . The PSUs which where chronically and which are unlikely to be turned around where to be referred to the Board for Industrial and financial reconstruction. It was promised that bones of public sector companies would be made more professional and given greater powers.

Foreign Technology Agreements :

Automatic permission was given for foreign technology agreements in high priority industries up to a lump - sum payment of Rs 1 crore, 5% royalty for domestic sales and 8% for exports, subject to total payment of 8% of sales over a 10 year period from date of agreement or 7 years from commencement of production. Further, government eased hiring of foreign technicians.

Amendment of MRTP act :

The MRTP act will be amended to remove the threshold limits of assets in respect of MRTP companies and dominant undertakings. This eliminates the requirement of prior approval of Central Government for the establishment of new undertakings ,expansion of undertakings, merger , amalgamation and take-over and appointment of directors under certain *circumstances.The MRTP limit for MRTP companies was made 100 crore. Currently, MRTP act is replaced by **Competition Act 2002.***