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B.A. Economics

B.A. Part-2

Paper-3

Topic: Industrial policy

Industrial Policy

Government action to influence the ownership & structure of the industry and its performance. It takes the form of paying subsidies or providing finance in other ways, or of regulation.

It includes procedures, principles (i.e., the philosophy of a given economy), policies, rules and regulations, incentives and punishments, the tariff policy, the labour policy, government's attitude towards foreign capital, etc.

Objectives

The main objectives of the Industrial Policy of the Government in India are:

To maintain a sustained growth in productivity;

To enhance gainful employment;

To achieve optimal utilisation of human resources;

To attain international competitiveness; and

To transform India into a major partner and player in the global arena.

Industrial Policy Resolution of 1948

It defined the broad contours of the policy delineating the role of the State in industrial development both as an entrepreneur and authority.

It made clear that India is going to have a Mixed Economic Model.

It classified industries into four broad areas:

Strategic Industries (Public Sector): It included three industries in which Central Government had monopoly. These included Arms and ammunition, Atomic energy and Rail transport.

Basic/Key Industries (Public-cum-Private Sector): 6 industries viz. coal, iron & steel, aircraft manufacturing, ship-building, manufacture of telephone, telegraph & wireless apparatus, and mineral oil were designated as "Key Industries" or "Basic Industries".

These industries were to be set-up by the Central Government.

However, the existing private sector enterprises were allowed to continue.

Important Industries (Controlled Private Sector): It included 18 industries including heavy chemicals, sugar, cotton textile & woollen industry, cement, paper, salt, machine tools, fertiliser, rubber, air and sea transport, motor, tractor, electricity etc.

These industries continue to remain under private sector however, the central government, in consultation with the state government, had general control over them.

Other Industries (Private and Cooperative Sector): All other industries which were not included in the above mentioned three categories were left open for the private sector.

The Industries (Development and Regulation) Act was passed in 1951 to implement the Industrial Policy Resolution