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Topic- Industrial policies in India since independence

Meaning

- 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, 1948.

▪ **Industrial Policy Statement of 1956**

Government revised its first Industrial Policy (i.e.the policy of 1948) through the Industrial Policy of 1956.

- It was regarded as the “**Economic Constitution of India**” or “**The Bible of State Capitalism**”.
- The 1956 Policy emphasised the need to expand the public sector, to build up a large and growing cooperative sector and to encourage the separation of ownership and management in private industries and, above all, prevent the rise of private monopolies.
- It provided the basic framework for the government’s policy in regard to industries till June 1991.

- IPR, 1956 classified industries into three categories
 - **Schedule A** consisting of 17 industries was the exclusive responsibility of the State. Out of these 17 industries, four industries, namely arms and ammunition, atomic energy, railways and air transport had Central Government monopolies; new units in the remaining industries were developed by the State Governments.
 - **Schedule B**, consisting of 12 industries, was open to both the private and public sectors; however, such industries were progressively State-owned.
 - **Schedule C**- All the other industries not included in these two Schedules constituted the third category which was left open to the private sector. However, the State reserved the right to undertake any type of industrial production.
- The IPR 1956, stressed the **importance of cottage and small scale industries** for expanding employment opportunities and for wider decentralisation of economic power and activity
- The Resolution also called for **efforts to maintain industrial peace**; a fair share of the proceeds of production was to be given to the toiling mass in keeping with the avowed objectives of democratic socialism.
- **Criticism:** The IPR 1956 came in for sharp criticism from the private sector since this Resolution **reduced the scope for the expansion of the private sector significantly.**
 - The sector was **kept under state control through a system of licenses.**

Industrial Licenses

- In order to open new industry or to expand production, obtaining a license from the government was a prerequisite.
- Opening new industries in economically backward areas was incentivised through easy licensing and subsidization of critical inputs like electricity and water. This was done to counter regional disparities that existed in the country.

- Licenses to increase production were issued only if the government was convinced that the economy required more of the goods.