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Topic- Industrial Policy-1977 and it's features

Industrial Policy-1977

Introduction :

In March 1977, the first non-Congress government was at the center. The Janata Party assumed power and Morarji Desai, a staunch Gandhian, became the Prime Minister. The new government declared a new industrial policy, 1977.

The Janata government was of the opinion that during the last 20 years the excessive emphasis on the heavy industry had to be corrected; Emphasis has been placed on heavy industry, and to curb unemployment and poverty, the small-scale industry must be promoted. As a result, the number of items reserved for the small scale increased significantly.

Salient Features of Industrial Policy of 1977:

Small Scale Sector:

Increased and diversified growth of the small-scale sector was the main plank of the 1977 policy. It called for effective promotion of small and cottage industries in rural areas and small towns. Whatever could be produced by small-scale industries were to be produced in those areas and activities which could be handled by the small-sector.

Small Sector was divided into following three classes:

- (i) Cottage and household industries providing self-employment on a wider scale.
- (ii) Tiny Sector incorporating industrial units with the investment upto Rs. 1 lakh in towns with population of less than 50,000.
- (iii) Small-scale industries with an investment upto Rs. 10 lakh (in case of ancillaries upto Rs. 15 lakh investment).

It was intended to encourage development of all these three categories simultaneously through specially designed policies.

The list of items reserved for the small-sector was raised from 180 to 807.

Margin money assistance was to be provided for the newly designed tiny sector and cottage industries.

1. District Industries:

Centres were set up to serve as focal points of small- sector development. These were to provide under a single roof all the required services and support especially to small industries. IDBI was also to set up a wing to cater to the needs of small units and monitor the entire range of credit facilities.

It was also proposed to revamp the Khadi and Village Industries Commission. For this purpose production units for new polyester khadi, soap, foot-wear, hand loom were to be enlarged to provide mass employment and to supply the bulk of consumers' needs.

The Government would give market support to the products of the small sector through priority purchases, standardization, quality control etc.

Special arrangements were to be made to develop small and simple machines and devices for improving the productivity of the small-sector.

2. Restricted Role of Large Industries:

The policy envisaged a restricted role for large industries and was against making it a demonstrative tool of sophistication or irrelevant foreign technology. The Industrial Policy wanted the large-scale industries to be related to the supply of basic needs of the people through dispersal of small sectors and strengthening of agriculture.

It emphasised that these industries should include basic industries like steel, cement, oil refineries, etc. to provide infrastructure for small sector, capital goods industries needed to meet the machinery requirements of basic and small industries, high technology industries related to agriculture and small sector such as fertilisers, pesticides, petrochemicals etc. and other industries falling outside the list of reserved items like machine tools, organic and other chemicals.

3. Regulation of New Licences for Large Industries:

The policy provided that large business houses should not be permitted to expand so that share of small units in total capacity would increase. They should be made to rely on their own internal resources for new schemes. Further licences for large-industries should be strictly regulated.

4. Public Sector:

It should play the role of a countervailing agency against monopoly and as a stabilising force for maintaining essential supplies to consumers. It should encourage ancillary industries and provide expertise to the small-sector.

5. Professionalisation of Industrial Management:

The policy aimed at eliminating family control of business and industry and laid emphasis on the need for professionalisation of industrial management.

6. Self-Reliance in the Matter of Technology:

It welcomed the flow of foreign technology and foreign participation in areas where Indian skills were inadequate. However, self-reliance in the matter of technology was considered to be the main objective.

7. Dispersal of Industrial Units:

To promote dispersal of industrial units, new licences were not to be issued to industrial units in cities with more than 10 lakh population and in urban areas of more than 5 lakh population.

Such large scale industrial undertakings which desired to shift to the backward regions were offered attractive assistance.

8. Workers' Participation in Management:

Workers' participation in management was sought to be made more meaningful by providing for holding of equity shares by the workers with sufficient safeguards for their interests.

9. Fair Deal to Consumers:

Consumers were assured of a fair deal through rigid enforcement of standardisation (ISI), quality control, and offer of a wide range of articles through the small sector.

10. Rational Price Policy:

It also aimed at rational price policy based on parity between agricultural and industrial price structure. It also sought to encourage the large sector to take over sick units.

The Industrial Policy, 1977 defined that distinct role of the small-sector, put limits on the prominence of the large sector and called for revitalization of the public sector in terms of national objectives and needs of wider industrial dispersal, consumer protection, monopoly control and more employment.