

Chapter –1

POLICY RESOLUTIONS, PLANNING AND STRATEGY

1.1 Industrial Development Strategy: The Pre-Independence Scenario:

The history affirms the fact that, India was a great manufacturing country prior to the nineteenth century. During the seventeenth and the eighteenth centuries, it was believed that, India had a considerable variety of indigenous industries such as arts and handicrafts. But the supremacy of these indigenous industries could no longer continue against self-centered economic and political policies imposed by the British Government in India. An additional blow was exerted on it by certain development in the fields of transports, communication and technology as an effect of the Industrial Revolution in England during the second half of the 18th Century (Kuchhal, 1963). Thus, at that time, no planning was conceived and devised for the balanced and steady industrial growth in the country. It resulted into a decay and decline of indigenous industries.

Secondly, the discovery of inter-oceanic routes and the arrival of the Britishers in tropical regions of the world opened the gates of the development in the form of a novel economic phenomenon called the plantation industry, such as tea, coffee, indigo, etc. What followed the plantations industries in the industrialization was the emergence of consumer goods industries. These industries were ventured mainly under private initiatives and the Government had almost no role to play. Hence, an industrial policy and plans to encourage the growth of these industries was not a matter of consideration on any ground (Masheshwari, 1971).

In the second half of the nineteenth century, there began a growth of modern industries like cotton textile, jute textile and coal

mining large-scale industries. Some other modern industries such as rice flour mill, paper, glass, and chemical etc. were as well set up. But then the growth of the modern large-scale industries was hampered by a lack of effective infrastructure like transport, communication, and power potentials, lack of finance and absence of (the engineering and machine tool industries) technical know-how.

Further, the 'swadeshi' movement (1906) enhanced the industrial development to a great extent in the early part of 20th century (Chaudhari, 1970). The First world war brought about certain changes in the attitude of the Government regarding industrial development. Accordingly, an Industrial Commission was appointed by the Government in 1916. It conducted a comprehensive survey of Indian resources (finance) and industrial potentialities (Srivastava, 1967). However, in relation to the recommendation of the Industrial Commission report, the British Government made no attempt to formulate positive and well coordinated industrial policy for India to affect all round industrial development.

Thus, in the pre-independence period, India's rapid industrialization did not form the basic objective of the British policy. In this light, industrialization was just an impossibility in the absence of proper planning. Until India became independent in 1947, the British Government followed the policy recommended by Laissez-Faire. However, the Government made a slight departure from the Laissez-Faire policy during the interim period of the two world wars. It supported the development of certain industries, with the calculation that they would supplement the war efforts. With a view to fulfilling the selfish motives, the British government adopted a policy of discriminatory protection on the recommendation of the Indian Fiscal Commission (1921). It gave considerable stimulus to industrial development (Maheshwari, 1971). As a result of the implementation of this policy, a number of new industries emerged during 1930s and 1940s to produce cotton, sugar, steel, cement, paper, glass, industrial chemicals, soap, 'Vanaspati', etc. With it, some branches of engineering

came into operation to supplement them. But the production was not adequate enough to meet the demand in the country, nor were the industries sufficiently diversified to deliver a wide range of products. The reason was that until the mid 1940's the Government of India was not able to formulate an adequate industrial policy to promote industrial development (Padhy & Behera, 1988).

During the pre and post Second World War times, several new industries like ferro-alloys, non-ferrous metals, diesel engines, pumps, bicycle, sewing machines, soda ash, caustic soda, chlorine and super phosphate came into existence. A new range of industries such as ball and roller bearings, carding engines, ring frames, locomotives, fertilizer, sulphuric acid, etc., were expanded considerably. However, on the other hand, there was still a deficiency in engineering goods industries like machinery and machine tools. Some basic and key goods industries like automobiles, non-ferrous metals, tractors and heavy chemicals were either non-existent or just in their infancy. Thus, the industrial scenario of the British India was a lopsided one. Textiles and plantation industries were over emphasized, whereas heavy industries were almost neglected. This fact was disclosed in 1946 when the first Census of Manufacturing Industries (CMI) was undertaken. As per the study, the industrial structure revealed the dominance of industries like sugar, vegetable oils, cotton textiles, jute textiles, iron and steel, smelting, rolling and re-rolling and general engineering (Bhagwati & Desai, 1970). Such uneven and imbalanced industrial structure was perpetuated in the absence of proper objectives and priorities for British Industrial Policy. Moreover, the British Government followed consciously and deliberately such a policy that discouraged the emergence of basic and heavy industries in India (Padhy & Behera, 1988).

A department of Planning and Reconstruction was established at the centre only towards the conclusion of the British Rule in India. It made belated attempts to draw upon the programmes of industrialization. On its line, the Bombay Plan, the Peoples Plan and the

Gandhian Plan were implemented (Chaudhary, 1959). Even the Industrial policy statement of 1945 was published in order to control and regulation of key industries (Hanson, 1966). But during the post-war period, crisis faced by the country delayed the reconstruction programmes. The programmes were further affected by an inability to import necessary capital goods, shortage of consumer goods and raw materials, and as well by high inflationary conditions and the partition of the country. On the other hand, the production in almost all industries remained much below the requisite level, and it sunk down from the peak that was attained during the Second World War period. It was due to factors like inadequacy of capital equipment, lack of trained personnel, dominance of British managing agencies, bottlenecks in internal transport and distribution, bad industrial relations, absence of systematic planning, proper industrial policy and programme and the like. As a result of it, independent India inherited a weak, uneven and imbalanced industrial structural-base, under developed infrastructural facilities and a stagnant economy.

1.2 Industrial Development Strategy: The Post-Independence Scenario:

The above historical view brings us to believe that on the eve of independence, Indian economy inherited unpleasant, uninspiring and disgusting conditions on the fronts of industrial development. With a view to improving the conditions and restoring the pace of industrial development in India, a number of financial institutions were set up and Industrial Policy Resolutions and various five year plans were conceived on the part of the government. It is beyond any doubt that they have remained instrumental in bringing about many satisfactory changes in the industrial structure and have also espoused duly the industrial development. The Government of India implemented the Industrial Policy Resolution in 1948, 1956 and lastly in 1991. As a result of implementation of these industrial planning and policy programmes, there was a sea change in industrial structure of India.

In consistent with the above, the present study is carried out with a purpose of analyzing how the industrial structure in India has undergone a marked change with the changing pattern of priorities and objectives under the five-year plans and corresponding industrial policy resolutions. The study more significantly seeks to evaluate the efficacy of industrial policy resolutions and plans. Ultimately the industrial development or industrial structure of any country relies more or less on the Government policies and plans. The industrial policies under various five-year plans have a bearing on industrialization. Their effects, as Samir Joshi (1995) puts it, may be direct or indirect, negligent or significant, immediate or delayed. They may help or hinder or even influence the choice of products, techniques, quality of industrial performance, pattern of investment and the industrialization as a whole. The scope of this study is directly related to the post independence period, during which the Government implemented various five-year plans and industrial policy resolutions corresponding to them. Each industrial policy statement appears thus to rest on the basis of the corresponding five-year plan. Hence, the study demands a clear survey of the basic framework of the industrial policy with an apt focus on its evolution, objectives and control and decontrol measures subservient to them. It also demands to consider the corresponding changes that evolved a pattern of priorities of industrial programme that form a significant part of the five year plans.

1.2.1 BASIC FRAMEWORK OF INDUSTRIAL POLICY:

On gaining independence, the Government called an "Industrial Conference" in December 1947 to assess the existing capacity of industries and to determine the future course of development. The policy planners believed that India should go for rapid industrialization. Owing to it, the agricultural sector did not receive adequate attention to equip itself to meet the growing demands of the population on a steep rise. The long period of economic stagnation called for a proper strategy planning to reconstruct the economy at a rapid pace. The planning was conceived in which the industrial policy framework was

supposed to play a vital role in bringing about an economic transformation. The priorities determined were increase in employment opportunities, widely dispersed growth, optimum use of unused or underused natural resources, raising income levels, strong infrastructural base, and technological upgradation through research and advancement in technical know-how.

1.2.1.1 Industrial Policy Resolution of 1948:

The Government of India introduced the first Industrial Policy Resolution soon after the Independence in 1948. This policy outlined the approach for industrial growth and development. It mostly emphasized the importance to the economy for securing a continuous hike in production ensuring its equitable distribution. To accomplish these objectives, the policy was conceived towards a 'mixed economy' with an overall responsibility on the government to plan development of industries and their regulation in the national interest. It also reiterated a right of a state to acquire an industrial undertaking in the public interest while doing so, it reserved an appropriate sphere for private enterprise, which had a valuable role to play within laid down regulations and directions. The resolution was provided with a legislative backing for implementation in the Industries (Development and Regulation) Act 1951, that came into effect from 1952.

1.2.1.2 Industrial Policy Resolution of 1956:

After the constitution was adopted in 1951 the socio-economic goals were determined. In its light, the Industrial Policy was revised comprehensively and adopted in 1956. This policy proved the backbone of the industrial policy when the country was confronting new challenges. It was modified from time to time through statements dated in 1973, 1977 and 1980. These modifications rested upon the structural changes in the industrial sector.

The Industrial Policy Resolution of 1948 was followed by the Industrial Policy Resolution of 1956. It had its objective to accelerate the rate of economic growth and rapid industrialization through which socialist pattern of society may be attained. This policy statement stressed the need to develop heavy industries, machine making industries, basic and capital goods industries. The intention held was to expand the public sector, to build up a large and a growing co-operative sector and to encourage the widest diffusion of ownership and management in private industries so as to prevent the rise of monopolies and concentration of economic power in the hands of a few.

The 1956 Industrial Policy Resolution gave primary focus to the role that the state would play and assume predominant and direct responsibility for industrial development. Under this policy, the industries specified in the schedule-A, included seventeen basic and strategic large scale industries. They were put under exclusive responsibility of the state. The twelve industries listed in schedule-B were supposed to be state owned progressively. In these fields, the private enterprise was expected to supplement the efforts of the state. The future and development of the industries falling outside the two schedules was left to private enterprises (schedule-C). Notwithstanding this demarcation, it was left to the discretion of the state to undertake any type of industrial production. Simultaneously, the private sector was availed the opportunity to develop and expand on the principles of co-operation wherever possible (GOI, 1981). This policy stressed as well that the scheduling of industries into three categories would not mean a case for creating watertight compartments. An area of overlapping and dovetailing between the two sectors was allowed (Tapan, 1969). Further more, the policy statement made it very clear that in order to resolve the problems of poverty and unemployment that were faced acutely by the country, the development of small scale and village industries may be focused by providing them concession, protection, subsidy and reservation. It was also considered essential to reduce regional disparity in the industrial development. Accordingly, attention was paid to locate industries in backward region. In short,

the IPR of 1956 exhibited a clear intention of a direct concomitant of balanced industrial development envisaged in our various five year plans. In it, it was expected that the public sector would play a major role in the industrial growth of the nation. The private sector as well was also granted all the encouragement through mixed economic policy.

1.2.1.3 Some Amendments Or Modification In The IPR Of 1956:

In the years subsequent to 1956 several amendments were introduced in the policy statement/resolution. The years were 1973, 1977, 1980 and 1985. The amendments were aimed more particularly at reducing disparity in income, poverty, creation of employment. Likewise, the reduction of rural and urban disparity and encouragement of exports, etc., continued to be the base considerations of the 1956 policy resolution.

1.2.1.3.1 IPR of 1973:

Further the Government announced certain important changes in the industrial policy at the close of 1960s. They were based on the recommendation of the Dutt committee report submitted in 1969. The government appointed the Indian Licensing Policy Enquiry Committee in 1967 to inquire into the working of the licensing system during the last ten years. The findings of this committee led to the conclusion that the industrial licensing system had failed to meet the requirements of planned industrial development, or to suspend concentration of economic power in few hands. Based on the findings and recommendations of the Dutt committee report, a little modification was made in the 1956 industrial policy resolution and a new industrial policy was announced in February 1973. It interalia identified high priority industries and investment from a large industrial base and foreign companies were permitted to invest in these industries.

This was the beginning of liberalization in India. This policy envisaged development in the core sector, heavy investment sector, middle sector, joint sector and the reserved sector.

1.2.1.3.2 IPR of 1977:

At this point in time, a change in policy was felt specifically with a change in the government at the centre. The Janata Government realised the need to revise the industrial policy that was in operation since 1956. At that time, the country was confronted an acute problem of growing unemployment and concentration of economic power in a few hands. In addition, industrial sickness and regional disparities in the growth of industries were mounting too. Therefore, in order to clear these distortions in the economy, the government adopted the new IPR of 1977 retaining the basic framework of the 1956 IPR. The new policy statement laid emphasis on decentralization of industries and on the role of small scale, tiny and cottage industries.

1.2.1.3.3 IPR of 1980:

The IPR of 1980 announced changes in the broad outlines of the industrial policy shaped long back in 1956. It was again an effect of the change in the Government at the Centre. Even while keeping the spirit of the 1956 IPR intact, the Government implemented a new Industrial Policy of 1980 to keep up a pragmatic approach to broad based industrial expansion.

The Industrial Policy statement of 1980 focused primarily on promoting competition in the domestic market, technological upgradation & modernization. In order to accomplish a liberalized approach, the policy offered relaxations and concessions benefits such as income tax concession, subsidies for expansion, allowing use of the excess capacity, automatic expansion and liberalization of rules for the export oriented industries etc. These benefits were offered to small, medium as well as large scale industries with the triple objective of

modernization, expansion and development of backward areas. The policy laid the foundation for increasing competitive export base and for encouraging foreign investment in high-technology areas. This was carried out by modifying socio-economic objectives and by increasing the industrial production through optimum utilization of installed capacity and expansion of industries. It also aimed at higher productivity, higher employment generation, removing regional imbalances, rapid promotion of export oriented and import substitution industries and regularization of unauthorized installed capacity. A stress was also laid on promoting optimum inter-sectoral relationships and tackling industrial sickness through mergers or amalgamation. In short, Industrial policy statement of 1980 opened up new vistas for the private sector to expand its activities. It also encouraged industries in the sector kept reserved for the state in the 1956 Resolution through liberalization measures.

Moreover, based on this industrial Policy Resolution, the government introduced several policy and procedural changes in 1985 and 1986. They aimed at increasing productivity, reducing costs and improving quality. The accent was as well laid on opening the domestic market to increased competition. It also prepared domestic industries to stand on their own in the face of international competition. The public sector on the other hand, was released from a number of constraints. Modernization of industry in technological and managerial aspects was sought to pursue as the key instrument for increasing productivity and improving competitiveness, on the global level (Fazal, 1996). Therefore, in order to accomplish these socio-economic objective, a number of measures were taken towards the liberalization of industrial policy and streamlining the licensing procedures accordingly.

From the above enumeration of changes, it gets clear that India's industrialization conceived and created a climate conducive to policy of rapid industrial growth and diversification. However, it is regretting to note that excessiveness practised during the license and permit raj,

instead of helping the developmental process, hampered it. In a fast changing world where entire technologies would get obsolete very soon and market conditions would change drastically, it would be impossible for India to become a part of the world economy until it changed its policy of controls. Hence, the government emphasized the need of liberalization and took a step ahead to become a part of the global market. Thus, to be precise, the new approach looked to facilitating, rather than controlling, the industrial development. According to it, the Government continued to visualize new horizons and it had decided to take series of measures to explore them. It sought to unshackle as well the Indian Industrial economy from the cobwebs of unnecessary bureaucratic control and make it a free flowing phenomenon.

1.2.1.3.4 New Industrial Policy (NIP) of 1991:

In line with measures to unshackle industrial economy from the bureaucratic control and to keep going with the liberalization measures introduced through IPR earlier in 1973, 1977, 1980, 1985 and 1990, the Government of India announced once more a new industrial policy on 24th July 1991. It marked a significant shift in the policy framework and philosophy of developmental efforts (from the command, controlled and centrally planned industrial economy policy of 1956 to liberalization and globalization). It marked a radical departure from the 1956 Industrial policy Resolution. The IPR of 1956 gave priority to the role of the state to assume a pre-dominant and direct responsibility for industrial growth and development. Whereas the IPR of 1991 brought about a shift from controls in industrial development to liberalization, privatization, globalization, relaxations, concessions and international integration with rest of the world. It viewed to the fulfillment of socio-economic objectives which were the pillars of our national and international policies.

The recent policy places greater faith and expectations in the private sector to bring about rapid industrial development and to evolve a socio-economic scenario of the country. In accordance with it, the

new policy deregulates industrial economy in a substantial manner. Its objectives are to erect a new structure on the gains already made in the industrial sector and to correct the distortion or weakness that might have crept in the pattern of industrial growth. It seeks to maintain a sustained growth in productivity, to achieve gainful employment and to attain technological dynamism and international competitiveness (Paranjape, 1991).

In pursuit of the objectives laid down in the policy, the Government determined to take a series of measures related to abolition of Industrial license, dismantling of control system (MRTP Act), encouragement of foreign investment (FERA) up to 51%, special concession to export oriented unit and hi-tech industries (Foreign Technology Agreements). The focus of the government machinery was shifted from import substitution to export orientation. It was also decided to dis-invest the Government share in the public sector undertakings gradually so as to privatise them over a period of time (Public Sector Policy). All these changes in the form of liberalization measures got manifested in acceleration of the industrial growth rate and structural transformation in the industrial scenario,

Under the 1991 Industrial Policy, out of 17 industries on the Schedule-A, that were the responsibility exclusively of the state under the 1956 IPR, only 8 core industries are put as reserved for the public sector. They pertain to areas that concern about security, strategic and social issues as predominant ones. These areas include arms and ammunition, atomic energy, coal and lignite, mineral oils, mining of iron ore, different types of metals, railway transport. They would continue to be the monopoly of the state. The remaining nine core industries such as heavy electrical, iron and steel, heavy castings, heavy machinery, air transport, shipping, telephone, radio equipment and generation and distribution of electricity are removed from the reserved list i.e. in schedule-A of the 1956 resolution. These industries can now be established in the private sector. Presently, only six industries are reserved for the public sector since March 26, 1993. Two

more core industries in the area of mining of iron ore and different types of metals are de-reserved and opened for the private sector.

In the context of guidelines and framework of all the above industrial policies since 1956, it may be said that all sectors of industry, whether small, medium or large or whether belonging to the public, private or co-operative sector, will be encouraged to grow and improve on their past performance. Still at present, the Government's policy will continue to be in accordance with changes and the changing industrial scenario in the country.

Further, in pursuit of all the above policy objectives, the government has decided to take a series of initiatives in relation to the areas detailed below:

1.2.1.3.5 Several Economic Instruments of Industrial Policy:

With a view to realizing the objective of rapid industrial growth and performance effectiveness, operative measures were worked out in the Industrial Policy formulation. They include many control and decontrol measures and specific laws that were put into operation by the Government of India. They were primarily to control industrial activities, particularly those in the private sector. Accordingly, these specific legislation governing control measures are called the Industries (Development and Regulations) Act 1951, the Monopolies and Restrictive Trade Practices Act 1969 (MRTP Act), Foreign Exchange Regulation Act 1973 (FERA) and other Control Acts. These acts are detailed in the lines to follow:

(a). Industrial (Development and Regulation) Act 1951-I (D & R) Act:

Industrial licensing is governed by the Industries (Development & Regulation) Act, 1951. Its principal object is to enable the Government to implement its policy for the planned development and regulation of

industries, in the light of resources and priorities as envisaged in the Five-Year Plan. In order to accomplish the objectives such as the regulation of industrial investment and production according to planned priorities and targets the system of licensing of industrial undertaking was introduced through this Act. It sought to encourage of small scale industries, to prevent monopoly and concentration of ownership of industries and to reduce regional disparities. Under this Act, an Industrial license or registration is the requirement to fulfill to establish industrial capacities, either by setting up a 'new undertaking' or through substantial expansion of an existing undertaking.

The act authorizes the government to examine the working of any industrial undertaking and to issue directions, that it considers necessary. If the undertaking continues to mismanage the resources, the Government is empowered to take over its management or control. The Act further provides for the establishment of the licensing committee, the central Advisory council, the Development Council and Directorate General of Technical Development (DGTD). These agencies are entrusted with the responsibility to advise the government on policy matters, on considering requests for new licenses, substantial expansion, reviewing the licenses issued and refused and to examine, analyze and implement policy decisions from time to time. It thus with seeks to prevent lopsided industrial development and over concentration. It as well seeks to ensure effective deployment of available financial resources.

The policy guidelines as narrated in the policy determines the licensed capacity of any industry. It can not be increased without the concurrence of the government. The proposals are entertained only when it is felt that the existing capacity of the industry is inadequate. There are instances even in which despite the understatement of the capacity, efficient operation resulted into the output that exceeded the capacities allowed by the license. In such cases, the managements concerned were asked to operate strictly within the licensed capacities. A Dutt committee (ILPIC) was appointed in July 1967 by the

government to examine administration of the licensing system and make recommendation for better procedural formalities. The committee criticized the system of licensing policy on the line that it had failed to operate in accordance with the objectives laid down in the government's industrial policy and plan priorities (BERF, 1996). In the light of the committee's recommendations, the Industrial Licensing Policy was modified in 1970 & 1973.

In the above context, the Government's industrial licensing policy has undergone modification over a period of time, with the changing industrial scenario of the world economy. The procedures and guidelines have also been liberalized from time to time in the interest of rapid and balanced industrial development on the line of the plan priorities and targets.

(b). The Monopolies and Restrictive Trade Practices Act 1969 (MRTP Act):

Another important modification made in the Government's licensing policy of 1973 was the adoption of a new definition of 'large houses'. As per the new definition, large houses had assets of more than Rs 20 crores as against the limit of asset of more than Rs 35 crores in the 1970 policy. With a principal objective to prevent the concentration of economic power resting in a few hands, the Monopolies and Restrictive Trade Practices (MRTP ACT) Act was passed by the parliament in 1969. It became effective in June, 1970. The main provisions of this Act were to regulate expansions, mergers and amalgamation and appointment of directors in respect of dominant undertakings and of those undertakings, which held assets of not less than Rs. 20 crores by themselves, or with their interconnected undertakings. In the union Budget of 1985-86, there was a steep upward revision in the threshold limit of MRTP Companies from Rs 20 crores to Rs 100 crores. However, in the 1991 policy, this threshold limit of Rs 100 crores was removed.

While the emphasis was placed on productivity in the sixth plan and while looming impediments on industrial growth and expansion were removed major amendments were introduced in the MRTP Act in 1982, 1984 and 1985.

With the time, the industrial structure grew complex. A need was felt to achieve economies of scale by ensuring higher productivity. Again, it was an acute feeling to achieve a competitive advantage in the international market. Against it, interference of the Government grew through the MRTP Act especially, in investment decisions of large companies. It exerted adverse effect to cause of India's industrial growth. In fact, the so called MRTP companies do not require the pre-entry scrutiny of investment decisions any longer. Instead, emphasis has to be laid on controlling and regulating monopolistic, restrictive and unfair trade practices. It would be rather unwise to compel monopoly houses to obtain prior approval of the government for expansion, establishment of new undertakings, merger, amalgamation, takeover and appointment of directors. The thrust of policy therefore, is more on controlling the unfair or restrictive trade practices.

In the Industrial Policy 1991, the MRTP Act was restructured to eliminate the legal requirement of prior approval of the government for expansion of existing undertakings or for establishment of new undertakings. The provisions relating to merger, amalgamation and takeover were also repealed in the recent policy decisions. At the same time, the provisions of the MRTP Act are strengthened in order to enable the MRTP Commission to take appropriate action in respect to monopolistic, restrictive and unfair trade practices. The MRTP Commission is encouraged to initiate inquiry and investigation on complaints received from one or more consumer segments or from individual consumers as well.

(c). Foreign Exchange Regulation Act 1973 (FERA):

Besides the MRTP Act, the Government of India formulated the Foreign Exchange Regulation Act (FERA) in September 1973. Its prime objective was to conserve the foreign exchange resources of the country and to affect them to proper utilization in the best interest of the economic development of the country. In order to achieve these objectives, the Act sought to regulate the activities of companies that received direct foreign investment exceeding 40% of the total investment. Under the industrial policy 1991, this limit was raised from 40% to 51%. Also certain payments and dealings in foreign exchange and securities were put under the control of the government.

The FERA Act did not allow foreign firms to hold foreign equity exceeding 40%. However, under the Act, industries listed in Appendix-I under the Industrial Licensing Policy statement of 1973 or those predominantly engaged in export of their output or those operating in acknowledged fields of sophisticated technology were permitted to keep 51% foreign equity. All other industries were required to dilute their foreign equity to raise the Indian ownership to 60%. Illustrative lists of industries were published to spell out industries to which foreign technical know-how and foreign collaborations may be permitted. It was expected that foreign investment in terms of knowledge and collaboration would bring advantages of technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports. This is necessary particularly in the changing global scenario of industrial and economic co-operation that is marked by the mobility of capital. In consistence with above, it was decided to grant approval for direct foreign investment up to 51% foreign equity under the new industrial policy 1991. Through it, foreign investment was invited in high priority industries that require large investments and advance technology and technical know-how.

(d). Other Control Acts and Measures:

From India's experience as a free economy, there emerged some other dimensions as regards industries. In order to regulate them, necessary provisions were conceived in the form of some other Acts. The include several Acts such as: (1). The Essential Commodities Act of 1955: to regulate the prices and supplies of the basic industries. (2). The Companies Act 1956: to regulate the corporate sector in the country with respect to finance, ownership and performance. (3). The Chartered Accountants Act of 1949 and the Cost and Works Accountants Act of 1959: both to regulate industrial activities. (4). Securities Exchange Control Act, the Supply and Prices of Goods Act, the Taxation Laws, the Export-Import Regulating Act and the Factories Act of 1948, etc: all were applicable to different aspects of industries. In this way, with these Acts, the Government of India has erected an ample statutory and legal support system to regulate and control, directly and indirectly, all aspects of industries. The Acts may work in the direction of meeting the objectives of the Government's Industrial Policy and Plan priorities. They may as well prevent a lopsided industrial structure and development in the country. These Acts were modified and liberalized from time to time by the government in view of the changing global industrial scenario and its impact in the country.

(e). Liberalization Measures:

The system of Industrial Licensing and Control Measures was evolved as an instrument to control and regulate industrial development in the private sector. These measures exerted rigorous regulation during 1970's. As a result, the industrial sector was shaped into a highly controlled sector falling victim to bureaucratic impediments. It caused deterioration in industrial growth. As Bauer (1961), suggests: "They necessarily retard the development of industries singled out for discouragement. More generally, they obstruct the most efficient deployment of resources and also their growth. The extensive controls and practically Universal licensing

requirements for the establishment, extension and modification of industrial establishments bear harshly on medium and small enterprises.” The Indian industrialists generally share Bauer’s view about the control measures. They argue for their abolition or at least considerable liberalization in them would go in the interest of the country’s industrial development. One such view is obtained from reflections of Murarji Wadia, (1967). He says, “a stage has now been reached when the whole set-up of controls needs to be scrapped.” This view seems to have been shared by the Government of India in its industrial policy of 1973. It allows a trend towards liberalization of controls to operate. It is, however, suggested that the Government need not go as far as doing away with controls altogether. It has to have a rather selective approach to decontrol. In view of suggestion and views given by several economists after 1970, the Government decided to take a series of liberalization measures to unshackle the Indian industrial economy from the cobwebs of unnecessary bureaucratic controls. These liberalization measures would serve only as a remedy to arrest deterioration in the industrial growth. Hence, the government introduced a number of liberalization measures with a view to restoring industrial growth. The measures reshaped industrial licensing policy and the resultant control measures. This reshaping may be explained and analysed in two distinct phases:

(i) First Phase (1971 to 1980):

The first phase began with the end of the Indo-Pakistan war in 1971. The Government, on the plea of urgent need for increase in output, relaxed the industrial policy with respect to 72 priority industries. The firms were empowered to increase their output by 100% as against that of 25% permitted earlier. It could be done with no need of taking out a fresh license.

In 1973, a list of core industries was drawn up. Large industrial houses, subsidiaries and branches of foreign concerns were announced eligible to participate in the development of these industries. It also

allowed other applicants with the condition that the item was not a reserved one for the public sector and for the small scale sector. The central and state governments were supposed to develop a joint sector as a promotional instrument in the priority areas. Under it, co-operatives and small and medium entrepreneurs were encouraged to participate in the production activities.

In October 1975, twenty one industries were delicensed. As well, thirty other larger industrial houses and foreign concerns were permitted an unlimited expansion beyond the licensed capacities. But the condition was laid down that the excess production would either be exported or sold in accordance with the Government directives. Other twenty nine specified industries were permitted to produce up to the fullest utilization of their installed capacities. Some specified engineering industries were allowed to expand their capacity by 5% per annum without prior approval. Diversification in allied areas was freely permitted to select engineering industries. Those houses and foreign enterprises that had put up an unauthorized installed capacity were ratified by the Government and their industrial licensing were withdrawn.

In 1978, the industrial licensing was allowed further liberalization. The exemption limit for industrial licensing was raised from Rs 1 crore to Rs 3 crores. In the initial stages, it was like Rs 1 lakhs in 1960, Rs 25 lakhs in 1963 and Rs 1 crore in 1970. It was also spelt out that subject to certain conditions, the foreign exchange requirement of such units should not exceed Rs 25 lakhs or 10% of the value of annual production, whichever is less.

To conclude, during 1971 to 1980, although the industrial licensing system was not formally withdrawn, it diluted restrictive measures in the interest of restoring industrial production and checking the concentration of economic power in a few hands. This evaluates that the industrial and licensing policy was ultimately cultivated a

character of a wide gap between the policy professed and the policy in actual practice.

(ii) Second Phase (1980 to 1990) and Onward (New Industrial Policy of 1991 Liberalization Measures):

In the 1980's, the government adopted a pragmatic approach and granted different incentives to affect to broad base industrial expansion and to put existing facilities to better use.

a) Automatic Expansion, Re-endorsement of Capacity and Broad Banding of Industries:

The system of automatic expansion allowed 25% of the licensed capacity to go for expansion over a period of five years. It could be done without any license. The provisions were introduced in 1980 to improve the competitive efficiency in the domestic market.

In April 1982, a scheme of re-endorsement of capacity was introduced for a period of three years (1981-82, 1982-83 and 1983-84). Under this scheme the capacity utilization of industries was maximized. It was provided in the scheme that the capacity indicated in an industrial license could be re-endorsed. It would be in reference to the highest production achieved during any of the previous five years and the one third there of, subject to increase in the licensed capacity up to 25%. Another effort was made in 1986 under which industrial enterprises operating at 80% and above of their capacity can have their licenses re-endorsed on the basis of the highest levels of production achieved during the previous five years and plus the one third thereof. These benefits may be availed once again if 80% of the capacity so re-endorsed is achieved. This scheme of re-endorsement of capacity remained in effect for the duration of the seventh five-year plan. Under it, automatic increase in capacities up to 49% was granted to units that wanted to achieve economies of scale through modernization, renovation and replacement (Mankar, 1995).

Further, a scheme of broad banding of industrial licenses in selected industries aimed at optimum use of existing facilities. Flexibility of production within the existing capacity was introduced in 1984. In March 1986 this scheme was extended to more industries which had capacity to produce a range of related products. For instance, Commercial vehicle manufacturing companies were allowed to produce any type of passenger cars and motorised two wheelers like mopeds, scooters, etc., up to 350cc.

Because of the above amendments made in the policy, industrial undertakings were allowed to obtain licenses to manufacture broad categories of products instead of just one individual product.

**b) Delicensing and relaxation to MRTP and FERA Companies:
(for Development of Backward Areas)**

Under the pretext of expanding industrial production and promoting exports, some more concessions were announced to companies that were covered under the MRTP Act and the FERA Act. Accordingly, in 1985, the threshold limit for investment for MRTP Companies was raised by five times i.e. from Rs. 20 crores to Rs. 100 crores. In May 1985, the Government exempted twenty seven industries from the preview of the MRTP Act. In January 1986, twenty three more industries were delicensed for MRTP and FERA companies provided the undertakings were located in backward areas. In 1985, the government announced delicensing of twenty five broad categories of industries. Accordingly, some eighty two bulk drugs, along with their formulation, were delicensed. In order to reduce the industrial disparity in the backward areas, the government encouraged both MRTP and non-MRTP companies to put up their projects in specified backward areas.

The scheme of delicensing was extended in March 1986 to MRTP/FERA Companies. It was done in respect of twenty industries in Appendix-I of the Industries Development and Regulation Act of 1951

to encourage them to locate their projects in centrally declared backward areas. In 1987-88, the scheme was further extended to twenty seven more industries in Appendix-I, such as castings, electrical equipment, electronic and automotive components, etc. So that they would locate their projects in any centrally declared backward area. It was again extended to twenty four industries that belonged to non-Appendix-I industries such as pressure cookers, steel furniture, etc. They were encouraged to locate their projects in category 'A' backward districts. It was, however, stipulated that these industries would be located away from urban centres having a population ranging from 5 lac to 2.5 million. It was further emphasized that the product would not be reserved for small industries. Again, it was expected that the companies concerned would not be engaged in activities, which would turn out to be prejudicial to the interest of small industries.

c) Exemption from Licensing:

The exemption in industrial license granted first in April 1983. The limit that was earlier Rs. 3 crores was raised to Rs. 5 crores. In 1988-89, it was further raised to a whopping amount Rs. 15 crores for projects located in non-backward areas and Rs. 50 crores for projects located in backward areas. These exemptions were, however, granted subject to certain restrictions. Further, relaxation or exemption in licensing or registration was extended for new units and expansion, provided they invest upto Rs. 25 crores in fixed assets in non-backward areas and upto Rs. 75 crores in centrally notified backward areas. Such new industries would not require to obtain clearance from the government for manufacturing of new items or product without additional investment.

d) Enhancement of Investment Limit for SSI Units and Ancillary Units:

In view of it, small scale industrial units and ancillary units form a vital segment of the industrial whole. Their significance is counted in terms of their role to supplement the main production line. Hence, it was viewed that this sector needs encouragement through liberalization measures. The investment limits for small scale and ancillary industries were raised in August 1980, to Rs. 20 lakhs and Rs. 25 lakhs respectively. These limits were raised further to Rs. 35 lakhs and Rs. 45 lakhs respectively from March 1985. In 1991, it was further raised to Rs. 60 lakhs and Rs. 75 lakhs respectively, subject to conditions that the small industrial units should be exporting at least 30% of their annual production. This limit for small scale was revised to Rs. 75 lakhs finally in 1992.

In respect of very small industries, the investment ceiling was increased in stages from Rs. 1 lakh to Rs. 2 lakhs in 1980, from Rs. 2 lakhs to Rs. 5 lakhs in 1990-91 and from Rs. 5 lakhs to Rs. 25 lakhs in 1997-98.

e) Incentives for Export Promotion, Imports and Foreign Collaboration & Foreign Investment:

Export-import and foreign collaboration and investment acquire lot of attention in the context of recent trends of globalisation. It allows us to step out and extend a hand of help to others. As well as it allows foreign help in investment and technical know-how to contribute to industrial growth. Both ways generate benefits to the national economy if implement with care and caution. The government saw the need to promote the expansion of exports activities. Hence, it allowed various concessions in its industrial policy and Export-Import policy from time to time.

In October 1982, all fully export oriented industries that were set up in the Free Trade Zones were exempted from sections 21 and 22 of the IDR Act. Further, in 1990, fully export oriented industries set up in Export processing zones were exempted from industrial licensing, provided their investment would be go up to Rs. 75 crores. In addition to it, to enhance export production, some identified industries that were important from the export angle were allowed 5% automatic growth per annum upto a limit of 25% for production over the authorized capacity. Then in order to attract effective inflow of technology, capital goods, raw materials and components, the government allowed foreign investment up to the 40 percent of the equity in industry on an automatic basis. Such proposals viewed that the landed value of imported capital goods shall not exceed 30% of the total value of plant and machinery.

Imports of raw materials and components were permitted in 1985. It remained up to a landed value of 15% of the ex-factory value of annual production. It was raised to 30% in 1990. Foreign collaboration was granted automatic approval, if the royalty payment did not exceed 5% on domestic sales and 8% on exports sale. It was supposed further that it would involve lump sum payment.

Further to stimulate foreign investment and NRI capital market complementary measures and changes in the export and import policies were thought out. As a part of it, fiscal policies were announced in the recent part. In addition, there were indications that the schemes of reservation for public sector and small scale industries would be reviewed with basic ideas to enable optimisation of resource utilization, reduction of constraints, removal of bottlenecks in the infrastructure sector and to induce competitiveness and quality consciousness in Indian industry.

Liberalization measures during NIP 1991 and beyond:



The measures outlined above help to affect the liberalization process. However, it got a fillip after the new industrial policy was announced in 1991. This policy relates to control measures like Industrial Licensing Policy, Foreign Investment, Foreign Technology Agreements, Public Sector Policy and Monopolies and Restrictive Trade Practices Act. They were reshaped with requisite amendments with an objective to further the liberalization process.

a) Industrial Licensing Policy:

Industrial licensing was abolished for all projects, except for a limited number of industries relating to security and strategic concerns, social concerns, hazardous chemicals, environmental concerns and luxury consumer goods. The number of such industries was reduced from eighteen to fifteen from April 1993.

Projects that required imported capital goods to be installed, automatic clearance would be granted. In cases where foreign exchange availability was ensured through foreign equity and if the CIF value of imported capital goods remained less than 25% of the total value of plant and machinery subject to a ceiling of Rs 2 crore, this benefit was extended.

Industries located at sites other than cities having population exceeding 1 million did not require to obtain industrial approvals from the central Government. But industries that were subject to compulsory licensing did require to obtain it. The policy further specified that non-polluting industries like electronics and printing would be permitted to locate their units in cities with population exceeding 1 million. But they would have to keep them outside the periphery of such cities at a minimum distance of 25 kms.

The policy also viewed that the mandatory convertibility clause would not be applicable for term loans from the financial institutions when a new projects are to be put up.

The policy also viewed that broad banding would be permitted to existing units, if they were prepared for it with no additional investment. Similarly, the exemption from licensing would as well apply to all substantial expansion of existing units.

b) Foreign Investment:

International trends of liberalization and globalization in the early '90s called for promotion of foreign investments in India. Hence, the government of India announced that an approval would be given for direct foreign investment up to 51% foreign equity in high priority industries without any bottleneck. Such clearance would be given provided the foreign equity fulfils the foreign exchange requirements for import of capital goods. Such priority industries numbered to 34. A foreign equity proposal that involved 51% foreign equity, but did not meet the criteria, would, however, needed prior clearance. Such foreign equity proposals would not need to accompany agreements for foreign technology.

In order to provide access to international market, foreign equity holding up to 51% was allowed for trading companies primarily engaged in export. From October 28, 1991, Non-Resident Indians (NRI's) and Overseas Corporate Bodies (OCB's) were permitted to invest up to 100% foreign equity in high priority industries like hotels, tourism related industries, shipping and hospitals. They were also allowed to invest up to 100% foreign equity in industries in Schedule-III to produce items reserved for small scale sector. The condition laid down was that the export obligation criteria prescribed for the industry would be satisfied.

c) Foreign Technology Agreements:

In view of the international trends in industrial development, foreign technology agreement turned out to be the need of an hour. Hence, the government decided in the policy that permission would be granted for foreign technology agreements on automatic grounds in cases of 34 high priority industries specified above. The conditions laid down were a lump sum payment upto Rs. 1 crore, royalty payment of 5% on domestic sales and 8% on exports, subject to total payments of 8% on sales. It would go on for a period of 10 years from the date of agreement or that of 7 years from the commencement of production, whichever is earlier. For other industries, automatic permission would be given if free foreign exchange was not required for any payments. For the purpose of hiring foreign technicians or for the testing of indigenously developed technologies abroad the concerned industry would not need to obtain the permission.

d) Public Sector Policy:

The public sector needed a reshaping in the context of changing scenario of industrial development in the early 1990s. Hence, the policy introduced changes in the span of the public sector. Earlier it had 17 industries on the list. It was reduced to 8 industries in 1991 and then to 6 from march 26, 1993. They were reserved for the public sector.

The government started reviewing the existing portfolio of public investment. Although the review did not identify industries by product, their characteristics were specified. The review included (a) industries based on low technology, small scale and non-strategic areas, (b) those operating in inefficient and unproductive areas with low or nil social considerations and in areas where the private-sector was sufficiently developed. Public sector enterprises that suffered chronicle sickness were referred to the Board of Industrial and Financial Reconstruction (BIFR) or some other body of similar competence would

to be thought of through which rehabilitation or revival packages may be formulated with due regard to the interests of the workers.

With the list of public sector industries becoming shorter, a part of the government's shareholding was released. It was disinvested in favour of mutual funds, financial institutions, workers and the general public. The second change that was made was that directors on Boards of public sector enterprises were preferred to cultivate professionalism. They were as well given greater autonomy. There was laid a greater emphasis on improvement of performance through the Memorandum of understanding (MOU) system. It was felt that to facilitate a fuller monitoring, MOU's ought to be implemented more effectively.

e) MRTP Act:

Emphasis has now been placed on controlling and regulating monopolistic restrictive and unfair trade practices. In its view, the MRTP Act was needed to be suitably amended and to vest more powers in the MRTP Commissions.

1.2.2 ANALYSIS OF THE ALL IPRS & RELATED POLICIES IN VIEW OF THE FIVE YEAR PLAN PRIORITIES:

Within the framework of industrial policy statements and control and liberalization measures indicated in the earlier sections, the priorities of industrial programmes under the five-year plans were established. They were further put to requisite amendments from time to time. Since the present study attempts to examine the improvement in the industrial pattern, in tune with these industrial planning programmes. Hence, the priorities and the amendments brought about in them acquire significance in the discussion.

1.2.2.1 Priorities of First Five Year Plan (1951 to 1956):

While determining the priorities in the industrial field, the planning commission noted deficiency in the industrial structure that got exposed since the Second World War. The commission commented that it was lopsided in the sense that basic capital and intermediate goods industries were lagging behind. Therefore, the priorities in the industrial field for the first Five Year Plan were determined within the framework of Industrial Policy 1948. The plan recognized the importance of mixed economy in reference to the operation of the public and the private sector. The following was a general order of priorities in the industrial field: (1) Full utilization of existing capacity in producer industries and consumer goods industries such as jute, plywood, cotton textiles, sugar, soap, vanaspati, paints and varnishes; (2) Expansion of capacity in capital goods industries such as iron and steel, aluminum, cement, fertilizers, heavy chemicals, machine tools, etc; (3) Completion of industrial units on which a part of capital expenditure has already been incurred and (4) Establishment of new plants that would lend strength to the industrial structure. It would be done by rectifying the existing lacuna and drawbacks as far as the resources permitted, such were the industries to manufacture sulphur from gypsum, chemical pulp for rayon, etc. (Government of India, 1957).

In accordance with the above order of priorities, however, no big efforts were contemplated to industrialize the economy during the first plan itself. Yet an emphasis was felt to monitor basic services like power and irrigation, so that the process of industrialization is facilitated. Secondly, the first plan gave the highest priority to development of agriculture. It was as such a need that contradicted the objectives and priorities, envisaged for different industries when the plan was drawn up. But it was inevitable for the country. The total investment targeted in industries was Rs. 797 crores. The public sector had a share of Rs 94 crores out of which only Rs 57 crores was spent. The investment on new projects, replacements and modernization

proposed was Rs 403 crores and out of it Rs 340 crores was actually utilized. It showed clear shortfall in investments on industry. The plan utilized the existing capacity to the full and it is beyond any doubt. That way, if it achieved a sizeable cumulative annual growth rate of 7%, besides the establishment of essential industries like Sindri Fertilizer Factory, Chittaranjan Locomotive Factory, Indian Telephone Industries, the Integral Coach Factory, the Cable Factory and the Penicillin Factory.

1.2.2.2 Priorities of Second Five Year Plan (1956 to 1961):

Within the framework of Industrial Policy statements 1956, the order priorities of the Second Five Year Plan underwent some changes as compared to the first five-year plan. From the Second Five Year Plan onwards, the entire planning process in India marked a shift towards rapid industrialization in the country with particular emphasis on development of basic and heavy industries. The plan laid emphasis on the increased production of iron and steel, non-ferrous metals, coal, cement, heavy chemicals. Industries of basic importance, such as heavy engineering and machine building industries, were given the top priority. It was followed by an expansion of capacity in capital goods industries as the second priority. The modernization and re-equipment of important national industries already in existence such as jute, cotton textiles and sugar, etc., was listed as the third item in the revised order of priority (Government of India, 1956^a). Full utilization of capacity in industries and expansion of capacity in consumer goods industries were the priorities to follow. They were almost on similar lines to those of the First Five Year Plan with some changes in the list of industries included in each category.

In order to fulfill priorities in the order as above, the second plan invested Rs 1810 crores. It was distributed like the 27% of the total investment, i.e. Rs 870 crores, for public sector (on organised industry), Rs 675 crores for private sector and Rs 265 crores in village and small industries. The share of village and small industries was further distributed as: Rs. 90 crores for the public sector segment and

Rs. 175 crores for the private sector segment. This shows the massive increase in expenditures on industrial development programmes in the second plan vis-à-vis the first plan, both in absolute and relative terms.

The Second Plan heralded a new era that witnessed an industrial revolution in the country. During this period, the growth and diversification of the industry was remarkable. In this short span of time, three new steel plants were set up in the public sector. The foundation was laid for heavy electrical equipment industry, machine tools industries, machine building industry and other branches of heavy engineering industries. The production of machinery for cement and paper industries commenced for the first time. There was an unprecedented increase in the output of basic chemicals such as nitrogenous fertilizers, caustic soda, soda ash and sulphuric acid. It got coupled with the emergence of new products such as urea, ammonia, phosphate, penicillin, synthetic fiber, industrial explosives, polyethylene and dyestuff. With these two features, the Indian industry grew significantly. On the other hand, the output of other industries, such as bicycles, sewing machines, telephones and electrical goods also increased significantly in the late 1950's. Moreover, the development programmes like oil exploration and coal were consolidated in the plan, and the development programmes in atomic energy were initiated. Much attention was paid in modernization and re-equipment of industries like jute, cotton textiles and sugar. A large number of new industrial products like industrial boilers, milling machines, tractors, motorcycles, scooters, etc., were put on the production schedule.

In village and small industries, good progress was witnessed. For instance about sixty industrial estates with 1000 small factories were set up. With it, dynamic groups of entrepreneurs emerged on the horizon. Thus, on the whole, the second plan brought about a major shift in the industrial structure. It laid a strong base for structural transformation of the Indian industry. Hence, it can be regarded as the

first long-term planned initiative of the public sector to build up the base for the industrialization in the country.

1.2.2.3 Priorities of Third Five Year Plan (1961 to 1966):

The Third Five-Year Plan provided that the development of industry would continue to be governed by the 1956 Industrial policy statement. It also saw that plans for industrial development would hold a balance between competing claims of equal importance. Accordingly, in the order of priorities the first place was assigned to the completion of projects envisaged under the Second Five-Year Plan. The other four items listed in the order of priorities included expansion and diversification of capacity of heavy engineering and machine-building industries, increased production of major basic raw materials and producer goods industries and increased production in domestic industries of commodities. They looked meeting essential needs. They were worked out on lines almost similar to those of the Second Five Year Plan, however, with little change in industries included in each category (Government of India, 1960).

The Third plan allotted higher rate of investment say Rs 3000 crores. Out of it Rs 1700 crores were invested in public sector and Rs 1300 crores in private sector. The objective was to strengthen industry, power and transport and also to quicken the process of industrial and technological change. In consistent with IPR of 1956, the plan assigned a key role to public sector in industrial development with an aim to realize self-sustenance in producer goods industries like steel, machine building, etc., and to reduce external assistance to the minimum. During this plan, several new items like taximeters, sheet glass, automatic lathes, sizing machines, calendaring machines, milling machines, etc., capital goods were put on the manufacturing lines. The output of other industries such as automobiles, cotton-textile machinery, diesel engines, electric transformers, petroleum products, heavy chemicals, etc., also enhanced significantly. Moreover, the plan period witnessed an establishment of important projects like the HEC, for manufacturing machinery and equipment for steel plants; the

MAMC, for producing mining equipment and Bharat Heavy Electrical, for power generation and transmission equipment. In short, the Third Plan emphasized on the establishment of basic capital and producer goods industries with special stress on machine building programmes, together with acquisition of the related skills, technical know-how and designing capacity, transport and communications to further rapid industrialization over the next 15 years.

The above view helps us to conclude that in the context of Industrial Policy of 1956, the order priorities of the Second and the Third Five Year Plans were accomplished with diversified industrial structure base. They completed several long gestation projects in the public sector.

1.2.2.4 Priorities Of Fourth Five Year Plan (1964 to 1974):

When the Fourth Five Year Plan was formulated, the economy was recovering from a period of recession. There was considerable underutilized capacity in the industrial sector, particularly in the capital goods and engineering industries. It could be disclosed by looking at the investment pattern in industry. In the Fourth Plan, the investment in industry was in the order of Rs 2700 crores in public sector as against a target of Rs 3050 crores. It revealed a slide dropping in the growth pace. Therefore, chief focus of the plan remained on reversing the trend of the earlier years. Through the planning of quick-yielding projects and light industries, it was sought to accelerate the pace of industrial growth. Conditions of stability and reduced uncertainties were devised on the broad principles of the Industrial Policy Resolution of 1956. Accordingly, the order of priorities determined in the Fourth Plan attached importance to create conditions to achieve maximum utilization of capacity already built up. It was expected that it may ensure the channelization of new investment and build new industries or new bases for industries and direct the development of the economy. It was further expected that it would result in increased exports and pave ground for reduced dependence on imports through import substitution or export promotion. The objective was to

accelerate the industrial growth and capacity without any undue burden on balance of payments. Besides, it also laid stress particular on the development of industries in backward areas and on preventing further concentration of industries in the existing urban centers. In order of priorities, the plan also proposed a faster development of industries that produced capital equipment, petroleum products, chemicals and metals. But the performance of these industries remained far short of modest targets fixed for the plan. The reasons were like some operational difficulties, lack of integrated planning and deficiencies in design, unsatisfactory industrial relations, inadequacy of investment and shortage of power, etc. In addition, the curb imposed on the private sector preventing expansion of investment slowed down industrial development to some extent. Moreover, factors like bureaucratic delay in the sanction of projects, delays in implementing the programme and slow progress of the public sector restrained the industrial growth. Hence, in order to improve the performance of the public sector, the government introduced joint sector units by which investment houses and foreign companies were allowed to enter the areas of large-scale investment. It saw that it would attain quicker results. The government also gave permission to sixty five selected industries to expand production in excess of licensed capacities under the revised Industrial Policy of 1956.

Thus, due to a fall in industrial production, agricultural production too, power shortages and oil crisis, etc., among other reason, the Indian economy was put in an unfavourable shape at the end of the Fourth plan. In an overall view, however, the Industrial structure and performance yielded moderately good results during the first two decades, 1951-52 to 1971-72. The planning was carried out in consonance with order of the plan priorities. Thus, India built up a well diversified industrial structure that helped to expansion through indigenous factors and capacities in many vital sectors like iron, steel mining and machine building, etc.

1.2.2.5 Priorities of Fifth Five Year Plan (1974 to 1978):

The fifth five year plan was formulated, keeping in view the twin objective of self reliance and growth with social justice. The objective was sought to be achieved through restructuring the pattern of production in favour of goods of mass consumption. It was viewed as an instrument to eradicate poverty and to mobilize the economy in the direction of removing the existing disparities of wealth and income. The pattern of industrial investment and production laid emphasis on (a) rapid growth of the core sector industries by giving high priority to steel, non-ferrous metals, fertilizers, mineral oils, coal and machine building, (b) rapid diversification and growth of export oriented industries, (c) substantial expansion of production of essential commodities (mass consumption goods) like cloth, edible oils, vanaspati and sugar, etc., (d) restraint on the production of inessential goods like luxuries and comforts, (e) encouragement to village and small scale ancillary industries to feed large industries and (f) development of industrially backward areas for balanced industrial development.

The order of priorities that was worked out as above was proposed to be achieved by the Industrial Licensing Policy. Hence, the policy was modified first in 1975 and then in 1978. According to it, twenty one industries were delicensed, twenty nine industries permitted to utilize their installed capacity without limit and fifteen engineering industries were allowed the facility of automatic growth of capacity up to 5% per annum or up to the ceiling of 25% in physical terms. Through the method of delicensing, the Fifth Plan removed restrictions on the private sector, monopolistic undertakings and foreign concerns willing to invest in India. In spite of such positive steps taken by Government of India, the annual growth rate was substantially declined much below the target. The reasons for the slow growth rate were inadequate capacity in industries like cement, paper and fertilizer, shortage of power and fuel, inadequate transport infrastructure, etc.

1.2.2.6 Priorities of Sixth Five Year Plan (1980 to 1985):

The working of the Sixth Plan began with a review of industrial development over the thirty years of planning. It noted that the nature and pattern of industrial development was guided so far by a high cost industrial structure, i.e. the public sector. It failed to generate enough resources. On the other hand, the incentive schemes to attract industries in to backward region could not resolve the problem of regional disparities in industrial development.

In the light of the above factors, the Sixth Five-Year Plan continued with the same objective of structural diversification, modernization and self-reliance laid down in the Fifth Plan. Accordingly, it emphasized an optimum utilization of existing capacities, improvement of productivity and enhancement of manufacturing capacity in public and private sectors. It encompassed a variety of industries to raise the production of consumer goods and consumer durables and to support agricultural and industrial growth through the supply of intermediate and capital goods. A special attention was paid to the capital goods industry and electronics industry. In the context of energy crisis, measures were taken to improve the energy efficiency. For dispersal of industry and for development of backward regions, new strategies were devised. Moreover, to attain technological excellence, re-orientation and review of the existing procedures were permitted in relation to import of technology. The technological know-how was promoted and enhanced among Indian entrepreneurs through research and development at home.

The order of priorities as determined above were proposed to be accomplished in the new Industrial Policy of 1980. Under this policy, several liberalized measures were undertaken. They included Automatic Expansion of Licensed Capacity, Re-endorsement of Capacity and Broad Banding of Industries, etc. The aim was to enhance industrial productivity. Besides for development of backward areas, delicensing and relaxation were permitted to MRTP and FERA

Companies. In order to attract effective inflow of technology, capital goods raw materials and components, the foreign investment up to 40% of equity was allowed on an automatic basis. In short, the plan experienced a wide range of changes in the industrial policy of the government. They looked substantially to liberalization measures. There was, however, a shortfall in production of some basic industries such as steel, cement, non-ferrous metals, fertilizers, textiles, jute manufactures, sugar, drugs and pharmaceuticals, commercial vehicles and railway wagons. While some industries exceeded the targets. They were machine tools, passenger cars, motorcycles and scooters and consumer electronics and communication equipment. Obviously, industries of elite consumption recorded much higher growth rate than basic and heavy industries as well as wage goods industries.

1.2.2.7 Priorities of Seventh Five Year Plan (1985 to 1990):

The Seventh Five-Year Plan required that almost all the priorities envisaged in the Sixth Plan should be furthered. But it laid much greater emphasis on the principles of growth, equality with social justice and improving productivity. Food, work and productivity were set as basic priorities. To achieve this, the Seventh Plan proposed two major changes in the strategy. One was to increase emphasis on utilization of existing industrial capacity, rather than creating new capacities. The second was more emphasis on the growth of light industries. Accordingly, the Seventh Plan emphasized maximum utilization of the existing capacity through restructuring improved productivity, encouragement of modernization and technological upgradation in industries like textiles and sugar. It as well ensured adequate supply of wage goods and consumer goods for mass consumption of acceptable quality at reasonable prices. Further, it concentrated efforts on development of industries that had large domestic market and export potential. It was to create large employment potentials and to usher in 'sunrise' industries with high growth potential. Moreover, it considered the relevance to our needs such as telecommunications, computers, micro-electronics, ceramic

composites and bio-technology. These would be accomplished by the easing infrastructural constraints, liberalization of industrial licensing policy and provision of incentives for rapid growth of key segments of the industrial sector.

1.2.2.8 Priorities of Eighth (1992-97) & Ninth (1997-2002) Five Year Plans:

All the subsequent plans including the recently concluded the Eighth and Ninth plans had certain common plans and programmes to dwell on. They included those to alleviate poverty, to increase employment, to accelerate food production and to encourage rural development. Both the plans sought to be indicative in nature and made a radical departure from the earlier plans. The most important change they viewed was in the role of the public sector. It is restricted to the development of infrastructure. The social sector and the private sector, on the other hand, are given an increasing role in the economy. A number of industries that were reserved for the public sector are now open to the private sector with a number of relaxations in licensing and trade policies under the broad principles of new Industrial Policy 1991.

In the light of the above outlines, the Eighth Plan as well as the Ninth Plan coincided with the period of economic liberalization. The focus shifted to social welfare measures such as universalisation of elementary education, complete eradication of illiteracy, primary health and provision of safe drinking water, etc. The emphasis was on (a) growth and diversification of agriculture to achieve self-sufficiency in food and generate surpluses for exports, (b) infrastructure development like irrigation, transport, communication, energy and (c) restructuring of the public sector undertakings. Here, the approach did not look for increasing the plan outlay but for better utilisation of the amount allotted. The points were to complete projects according to the schedule, and to make clear prioritisation of areas for a smooth

operation and implementation of the policy in the areas of fiscal trade, industrial sector and also for human development.

In the last 10 years three important problems have been identified as critical to the nation, more particularly to the weaker sections. They are inflation, unemployment and poverty. The Ninth Plan developed approach basically to tackle these issues. The industrial and agricultural plans were designed accordingly with the assumption that the competitive and "market friendly" economy will play a crucial role in achieving an overall industrial growth by the private sector. Thus both the plans, although not different in objectives from the earlier plans, they brought into sharper focus the infrastructural development. They continued reliance on domestic resources and as well with approach of competitive efficiency and modernisation supported by new technology and scientific development. It was viewed that the Indian economy would keep pace with qualitative improvement and advantage of the global development in the form of information technology.

Conclusion

From the above study, we come to the conclusion that, during the pre-independence period, the textiles and plantation industries were over emphasized and capital goods, basic key goods and heavy industries were almost neglected. Hence, at that time, the industrial structure of British India was a lopsided one. It developed an uneven and imbalanced industrial structure. It was developed due to the lack of adequate infrastructure facilities that included financial facilities. In the absence of proper objectives and priorities, British industrial policy and planning did not exert any positive side.

However, with India getting independence, some belated attempts were made by the British government to draw upon the programmes of industrialization in India. Despite of it, India inherited a

weak, uneven and imbalanced industrial structural base at the time of independence.

Therefore, after independence, the view was held to improve the industrial structural base. The Government of India implemented the various five year plans and corresponding Industrial policy resolutions (of 1948, 1956 and lastly 1991). They were followed with their subserving control and decontrol measures (Industries (D & R) Act 1951, MRTP Act 1969, FERA Act 1973 and liberalization measures since 1985). They acted undoubtedly as an instrument for rapid industrialization in the country. They were modified from time to time. In view of the objectives and priorities, reforms in industrial policies and plans were envisaged.

In tune with the framework of industrial policy statements, the priorities of industrial programmes were established under the five-year plans. They underwent changes from time to time. The First Five Year plan assigned priority to the agricultural development. Because in the beginning, most of the industries were based upon the process of primary agricultural products. The emphasis was also given to set up basic industries which would provide power and irrigation facilities.

The second five year plan accorded higher priority to rapid industrialization with particular emphasis on the development of basic and heavy industries. It viewed to strengthen the industrial base in the country. It attached high priority to rapid expansion of iron and steel, non ferrous metals, cement, heavy chemicals and other important industries. The development of heavy industries was to provide a wide range of machinery and capital equipment to further the industrialization. In the absence of these industries, the economy had to depend much on imports of capital goods. Hence, the Third Year Plan emphasized the establishment of basic capital and producers goods industries. It laid special emphasis on setting up machine building industries, acquisition of the related skills, cultivating technical know-how and adequate capacity of designing.

Therefore, within framework of IPR of 1956, the industrial structure of the country underwent a radical change during the three plan periods. It became diversified to cover a wide range of consumer, intermediate and capital goods industries. India made remarkable progress in Capital goods industries and built a large body of technical and scientific personnel in the country. In this way, the country became more or less self sufficient by early sixties.

During the Fourth and Fifth Plans the structures of industrial development was promoted and nurtured with minor changes or modifications in the industrial licensing policy and industrial policy of 1956. The years 1973, 1975 and 1978 were crucial in this respect. Further to accelerate the spirit of industrial growth, with conditions of stability and reduced uncertainties, certain industries were given importance, so that it would go in the export promoted and import substitution. Besides, these plans also laid emphasis on the development of industries in the backward areas with a view to reducing industrial disparities and to preventing concentration of industrial activity in the existing urban centres. Despite all these measures, the structural base of the Indian Industry acquired an unfavourable shape during these plans period.

The sixth and seventh plan intended to work with regard to the objectives of structural diversification, modernization, improved productivity and self-reliance in consonance with the new industrial policy of 1980. The period of these plans saw a wide range of changes or modifications in the industrial policy of 1980. The industrial and trade policies were substantially liberalized from time to time. As a result, industrial production started picking up. But it also caused certain distortions in the industrial development. The consumer durable industries and a group of chemicals, petrochemicals and allied industries marched much ahead of the basic and heavy industries like steel, cement, non-ferrous metals etc.

The Eighth and Ninth Plan became indicative in nature. They made a radical departure from the earlier plans. They sought to achieve a desired industrial development in different sectors. It was primarily through modifications in industrial, trade, fiscal policies and change in duties and taxes. It did not rely much on quantitative restrictions on imports/ exports or licensing mechanism. It worked on broad principles of new Industrial policy 1991. So, the Indian economy is able to keep pace with qualitative improvement and with advantage of the global changing scenario of the business. Thus, the achievement of industrial development in India during the last three planned decades deserves commendation, in terms of new trends emerging and favourable structural change being affected.