

Chapter - 2

EFFICACY OF NATIONAL INDUSTRIAL DEVELOPMENT STRATEGY

- 2.1 Introduction.
- 2.2 Growth Pattern of Industrial Development.
Conclusion
- 2.3 Regional Disparities in Industrial Development
- 2.4 The Concentration of Corporate Power.

Chapter – 2

EFFICACY OF NATIONAL INDUSTRIAL DEVELOPMENT STRATEGY

2.1 INTRODUCTION:

Industrial development in India proceeded on a definite course only after India's Independence. The 1956 Industrial Policy Resolution set the course, for the industrialization in the country. Once the course was set, the policy was modified and supplemented from time to time. The formulation of industrial policies bore the impact of the socio-politico-economic conditions in the country and the ideological that prevailed at the time. Therefore, the extent was realistic and pragmatic to a considerable in relation to the industrial development. Since the industrial policies have a bearing on the industrialization, their impact on industrial sectors depends both on its nature and on the responses of economic agents. These responses, in turn, depend on the characteristics of the situation in which economic agents find themselves operating. In this context, although policies may be felt essential, they do not necessarily constitute the whole of a good strategy for industrialization. Hence, the main thrust of the present study is to evaluate the impact of industrial policy on industrial development. It attempts to review whether it shows a tendency to socio-economic objectives of industrial growth, pattern of industrialization (structure composition), reduced concentration of corporate power in the private hands and removed of regional disparities in India, and whether it addresses the plan's priorities in the right spirit. Based on the thrust areas, the study also attempts to derive a growth pattern on the ground of the reality that a part of the experience of industrial development in India since the Independence.

2.2 GROWTH PATTERN OF INDUSTRIAL DEVELOPMENT:

Industrial development in India can be spelt under four growth periods:

1. High Growth Period of 1951-1965.
2. Low Growth Period of 1965-1980.
3. Industry Recovery Period of 1981-1991.
4. The Post Reforms Period 1991 onwards.

(1) High Growth Period 1951-65:

The industrial growth during the period 1951-65 covers the period of first three Five Year Plans. It as well covers corresponding Industrial Policies of 1948 and 1956. The period was significant in the sense that it laid the basis for industrial development in India. During this period, a due emphasis was given to the basic and capital goods industries and basic infrastructural development programmes. Accordingly, huge investments were made in industries like Iron and steel, heavy engineering and machine building industries.

The industrial growth that occurred during this period marked a significant acceleration in the rate. The table below entitled, Annual Compound Growth Rates in Index of Industrial Production (1951-96) exhibits the fact in view of overall growth rate of the entire period of 1951 to 1996.

Table - 2.1 Annual Compound Growth Rates In Index of Industrial Production (1951-96)

(percent per annum)

Sr. No.	Use based or functional Classification	1951-55	1955-60	1960-65	1965-74	1975-80	1981-85	1985-90	199-96
1	Basic goods	4.7	12.0	10.4	6.5	8.4	8.7	7.4	6.
2	Capital goods	9.8	13.1	19.6	2.6	4.2	6.2	14.8	5.
3	Intermediate goods	7.8	6.4	6.9	3.0	4.3	6.0	6.4	6.
4	Consumer goods	4.8	4.4	4.9	3.4	5.5	5.1	7.3	5.
	(a) Durables goods						14.3	11.6	10.
	(b) Non-Durables goods						3.8	6.4	3.
5	General Index	5.7	7.2	9.0	4.1	6.1	6.4	8.5	6.

Sources:

(1) *S.L.Shetty ~ Structural Retrogression in the Indian Economy since the mid sixties EPW special supplement, 1978.*

(2) *Government of India ~ Economic Survey, various issues.*

As shown in the table-2.1, there occurred an acceleration in the growth rate of industrial production during the first three plan periods up to 1965. It increased from 5.7 percent in the First Plan to 7 percent in the Second Plan and 9 percent by the completion of the Third Five Year Plan. However, later in the mid sixties and seventies, the general index fell down. The growth rate of production of the capital goods industry shot up considerably from 9.8 percent per annum in the First Plan to 13.1 percent per annum in the Second Plan, and further to 19.6 percent per annum in the Third Plan. The growth rate of production of the basic goods industry registered a significant increase from 4.7 percent per annum in the First Plan to 12.1 percent per annum in the Second Plan and it stayed at 10.4 percent per annum in the Third Plan. Even in the capital goods industry the growth rate attained during the first three plan periods marked a higher scale than that achieved by the

intermediate and the consumer goods segments. The pattern was in the consonance with the strategy of growth evolved during the second plan and followed during subsequent plans. The high growth rates registered during this period establishes the fact that a strong base was laid for industrial development in India. It also marked a changing composition of industrial growth during the first three plan periods.

While the above achievements are worthy of praise, a more critical examination would reveal that the target growth rates as laid down in the plans fell short consistently. In the first three five year plans, the target growth rates of industry were 7.0, 10.5 and 10.75 percent per annum respectively. But the actual realization fell to approximately 6.0, 7.25 and 8.0 percent per annum respectively. The growth rate of industry in the first three plans did not seem to be uniformly satisfactory. It was mainly because, during the first plan, the highest priority was given to the development of agriculture. Hence, the resources made available to the public sector for industrial development were limited. Its main task determined was the fuller utilization of the excess installed capacity rather than rapid expansion of industries. Hence, during the first plan period, a limited investment in public sector affected a short fall in the planned industrial growth target. Moreover, the industrial programmes under the first five-year plan were pursued and accompanied by a host of regulatory and control measures within the framework of Industrial policy 1948. The policy resolution created a considerable amount of confusion and uncertainty with regard to the role of the public and private sectors, and regarding foreign interest in the industrialization of the country (Gadgil, 1962). Further, the policy, on one hand, suffered lack of co-ordination between different agencies of the Central Government, its departments and the State Governments. They did not have the requisite resources in finance, technical and managerial manpower on which policy put a good deal of initiative and responsibility for industrial development. While on the other hand, evils of bureaucracy and the policy threats of control, regulation and nationalization caused hurdles in the way of industrial development in the private sector. The threat of nationalization was

issued right since the 1948 industrial policy. It stated clearly that private industries were to be allowed for ten years to continue in private sectors and were subjected to be taken over by the government based on a review of their performance. Thus, implementation of the policy did the greatest damage to private enterprises. It, in turn, resulted into overall shortfall in the targeted industrial growth rate.

The second plan differed from the first plan in two major aspects: (i) reduced share of agricultural investment and (ii) it shifted investment within an enlarged share of the organized industrial sector, particularly in "heavy" industries. As a result of the change in the investment pattern, the agricultural production slowed down. It, in turn, directly or indirectly, influenced the industrial growth during the Second Plan period. Secondly, during the Second and the Third Plan periods, the emphasis was laid more on basic, heavy and capital goods industries. These industries were marked lagging behind because of administrative delays in the implementation. Their gestation period was prolonged and it resulted in a wastage of resources, extravagance in cost and slow down of industrial growth.

It is judged by a general index of industrial production. The growth rate of industry during the First three plan periods was fairly substantial, despite it fell short of targets. It was mainly because the planned efforts that began with the First Five-Year Plan allocated higher investment to industrial sector. This facilitated the acceleration in growth. The First Plan gave good weightage to basic items like power and irrigation. The Second Plan laid a firm base for heavy industry. While the Third Plan allotted higher rate of investment to strengthen industry. Such steps quickened the process of industrial and technological change. For instance, in the Second and Third Plans, a considerable percentage of investment was earmarked for the industrial sector. Out of it, 53 percent and 58 percent respectively were earmarked for public sector investment. As a result of high investment, the Third Plan was successful to a large extent in attaining important targets in the fields of industry and infrastructural like power, transport

and communications. This shot up the industrial growth. A study by Patnaik and Rao (1977) shows that the industrial growth remained impressive till 1965 and it was due to the rapid expansion of public investment on the one hand and public expenditure on the other. The former ensured a supply of basic industrial inputs, whereas the latter generated a demand to goods in the private sector. Again, in order to attain a high growth target, the Industrial policy Resolution of 1956 did not carry a threat of imminent nationalization, although it was contained in IPR of 1948. The possibility of nationalization was eliminated thus by the government. Instead the Government gave an assurance to the private sector that the state would continue to foster institutions to grant financial aid to industries for development and expansion. Thus, it proved to be a tonic for the private industries for higher growth performance during the period 1951-65.

Further to add, the pursuance of the policy of import substitution during the period of 1951-65 ensured a protected market for domestic production. It stimulated private investment in industrial sector. It would go into the production of investment goods. This, in turn, sustained industrial growth to pick up the pace. In the same manner, as Naidu (1984) argues in his study, during the first 14 years of planned period, the industrial development was mostly based on import substitution and it had an advantage of captive market that led to maintain 8 percent rate of industrial growth. Further, in line with it, as J.C.Sandesara (1992) presents in his study that, during the first three plan period (1951-65) high industrial growth rate was recorded. It was due to two major decisions that were taken in the Government policy. Firstly, heavy investment was allowed in public sector industries. Capacities were created in the manufacturing and supporting infrastructural sectors as a follow up measure. Secondly, captive home markets were created and nursed, they were needed for import substitution in industrial production as a protective trade regime.

Thus in brief, the high rate of industrial growth witnessed during the period 1951-65 was the outcome of:- (a) emphasis on

industrialization in economic policies and the strategy of industrialization oriented to heavy industry, (b) pursuit of industrial growth as a supreme objective in the industrial policy, and its planning and excellent synchronization and (c) substantial investments made and capacities created in industrial sector as a follow up of the first two decisions.

2. Low Growth Period 1965-80:

The second phase in the industrial development was marked with a sharp deceleration. It occurred during 1965 and 1980. Hence, the period is described (termed) as the Low Growth Period 1965-80. Here, we need to look at table 2.1 that explains the growth rate. The rate of growth marked a steep fall from 9 percent from third plan to a mere 4.1 percent per annum during the period 1965-76. During the same period, the capital goods sector grew at an annual rate of 2.6 percent, which was much lower than that in the previous period. The similar lower rate of growth is visible in the case of basic industries. After the Third Plan, the phenomenon of structural retrogression occurred in the growth rates of capital goods and basic goods industries. Only in the consumer goods industries, the rate of growth was moderate and stayed over 5 percent per annum (Shetty, 1978). Also, the output of non durable consumer goods marked a disproportionately large increase. This phenomenon emerged at the cost of allocation of investible funds for mass consumption goods. Thus, an imbalance was caused in the industrial structure. This pattern of uneven development has to be viewed against certain perspectives which were envisaged in the plan priorities.

Notwithstanding the above, the slower and stagnant growth rate is clearly discernible during the period 1965-80. It is the period of three annual plans the Fourth and the Fifth and the Sixth Five Year Plans. The slowdown in industrial activity also spreaded from the capital goods sector to the intermediate goods sector. It encompassed the manufacturing sector as a whole. This is evident by a fact that during

the Fourth Plan, the growth rate of industry was 4.7 percent per annum as against the flexible target of 8 to 12 percent. During the Fifth Plan, it remained 5.9 percent per annum as against the targeted growth rate of 8.1 percent in the industrial sector. This represented larger gap between the targets and the actual as compared to that in the earlier period. This low growth rate was resulted, despite of the fact that the government gave permission to 65 selected industries to expand their production in excess of licensed capacities and that investment houses and foreign companies were allowed to increase large scale investment for attaining quicker results. Moreover, during the period, twenty one industries were delicensed and twenty nine industries permitted to utilize their installed capacity without limit. In addition to it, fifteen engineering industries were allowed the facility of automatic growth of capacity up to 5 percent per annum, or up to a ceiling of 25 percent in physical terms. Thus, through the method of delicensing, the Fifth Plan lifted the restrictions on the private sector, monopolistic undertakings and foreign concerns that were willing to invest in India. In spite of such positive steps by the Government of India, the industrial growth rate declined substantially against the target fixed. Inadequate capacity in industries like cement, paper and fertilizer, slowed down the public investment. Secondly, the shortage of infrastructural and other important inputs like power, transport, coal, cement, etc., and the unremunerative administered prices disturbed industrial relations. Inefficient management, bureaucratic delay in the sanction of projects were inevitable evil to delay the implementation of the plan programmes, etc. These factors contributed significantly to slow down the industrial growth during the mid sixties and seventies. Many eminent economists and experts, who witnessed this phenomenon and explained it, debated the causes of the slowdown in the industrial growth rate vehemently.

Some economists like Bagchi (1975), K. N. Raj (1976), A. Vaidyanathan (1977), Deepak Nayyar (1978) and C. Rangarajan (1982) attributed the cause of the slow down to stagnancy in demand at home. They argued in their studies that, the low rate of industrial

growth was accounted basically to the unsatisfactory performance of the agriculture sector. This had an impact on the industrial growth operating through the demand supply linkages between the two sectors. Extreme inequalities of income and wealth in the society also played its role. These limitations brought about a decline in the demand for the consumables. This, in turn, suppressed the demand for machinery and capital goods in subsequent stages. Further, as Ahluwalia (1985) argues in his study, sharp fall in the growth rate registered in industrial production after the mid sixties was partly an outcome of the inefficient process of the import substitution policy for capital goods adopted during the Second Five Year Plan. According to him, too excessive emphasis on the import substitution and protection to industrialists resulted ultimately in to manufacturing of low quality products at high cost. This, in turn, brought about slow down in the domestic demand during the period 1965-80. The other economists like, T. N. Srinivasan and Narayana (1977), P. Patnaik and Rao (1977), C. Ranjarajan (1982) and Ahluwalia (1985) view that supply constraints, especially the low public investment in infrastructure, labour inefficiency and over regulation etc., checked the growth impulse of industries during the period 1965-80. According to them, there was a decline in public investment followed by decline in private investment. Both these put together exert a serious impact on the output of capital goods industries and, in general, on the infrastructure industries. Such an impact arrests the speed of industrial growth achieved earlier. Whereas, at the other end, explanations offered by some economists like Bhagwati and P. Desai(1970), Bhagwati and Srinivasan (1975), Ahluwalia (1985) and J. C. Sandesara (1992) focus on lapses in industrial policies, complex bureaucratic system of licensing and irrational and inefficient system of controls etc. to bring about low growth rate and an imbalance in the industrial structure. Among these economists, Bhagawati and Desai (1970) and Srinivasan (1975) state that the Indian planning for industrialization suffered an excessive attention to targets down to product level along with a generally inefficient framework of industrial licensing system, related import licensing and foreign trade policy regimes of the industrial sector which

designed to regulate the growth of industrialization. Inefficiencies of the Indian economic policies led to the economic inefficiencies and impaired performance. In line with this, Ahulwalia and J. C. Sandesara also point that the underutilization of capacities of industries was the impact of policy constraints like restrictive industrial licensing policy regime, their administrative hurdles, restrictions and delays, barriers to entry and protection from foreign competition etc. Progressively they brought about a decline in the levels of productivity of industries.

From the above reviews of the economists, it may be concluded that the slow down and stagnation of industrial growth recorded during the mid sixties and seventies was due to the Government's own economic policies, industrial policy, licensing system and some exogenous causes etc. The Inefficient policy constraints contributed to this muddle in the structural composition of industries.

Besides, looking to the policy constraints on industrial growth, the system of regulation and control i.e., industrial licensing policy, did not seem to substantially realize any of the objectives of the industrial policy, although it was a major instrument in their fulfillment.

The industrial growth was undoubtedly impaired by inefficiencies in the framework of Indian licensing policy. The licensing committee worked in a casual and adhoc manner and no definite criteria were adopted for scrutinizing applications and accepting or rejecting them. The lack of explicit economic criteria was accompanied by the procedural delays and the usual poor quality of techno-economic examinations conducted by DGTD (Directorate General of Technical Development) (Bhagwati and Desai, 1970). Apart from these, a more serious defects in the industrial licensing policy of the time was an inefficient industrial planning. The Industrial licensing policy enquiry committee (1969) have identified a number of weaknesses in the system. According to the committee, inadequacies detected in the system, included lack of clarity about plan targets and the creation of capacity. The planning authorities failed to work out priorities with conviction among different industries. The uncertainty about resources

and the non-availability of properly worked out plan programmes, on the basis of which licenses can be granted are among other factors to result into haphazard industrial growth.

The committee has also pointed some glaring weaknesses in the licensing mechanisms, such as:-

- (i) The committee did not lay down general principles and guidelines for the consideration of applications and granting an industrial license.
- (ii) Licenses have been issued merely on criteria such as the availability of capital, foreign exchange or the fulfillment of export obligations, etc.
- (iii) The method of selecting the applicants on the basis of "first come first serve basis" is not a reliable one. It may give much scope to better informed, though not necessarily efficient organizations to get a chance over other more efficient organizations (Government of India, 1967).
- (iv) The administrative procedures to get an industrial license used to be time consuming and they resulted into delays. These administrative procedures required sequential clearances, for instance, first licensing under IPR Act, then clearance under MRTP Act, approval of terms of foreign collaboration, license for capital goods imports, consent of the controller of capital issues for equity issues if any, etc. It was only after the letter of intent for licensing was issued and the MRTP clearance was (sought and) obtained, the licensee would approach financial institutions for loans. They would then examine the case denovo (Ahluwalia, 1985). All these inevitable formalities would mean enormous time delays. As a result of the delay in the process, (of granting the license) the works may as well be delayed beyond limit and one's tolerance. It would make all the differences in terms of cost calculations. It would incur higher project costs as the costs of production as well. Such negligence would exert ultimately a negative effect on the industrial growth.

- (v) Moreover, the operation of the licensing policy led to dissipation of resources. The power of granting licenses could be in fact used to restrict any more entry into the industries in which target to create capacities was fulfilled. However, no alternatives were suggested or provided to apply resources into some other desired direction. The studies by Bhagawati & Desai (1970) and Bhagawati & Srinivasan (1975) provide an elaborate and expository view on this issue. It is argued that a complex bureaucratic system of licensing, restrictions and controls led, not only to inefficiencies, but also to a misallocation of resources. The cumulative effect of such faulty policies became an obstacle to industrial growth.
- (vi) Finally, inefficient planning gave rise to excess capacity in some industries. Against it, there was no enough demand for the product. Hence these industries were left out with no other option but to complain and grumble. They were forced to underutilize their installed capacity. It resulted into loss, both to themselves and to the society at large.

In this way, as an inevitable consequence of inefficient licensing mechanisms, the mid sixties and the seventies witnessed slow rates of growth of industrial output. As an optimistic view, licensing is supposed to ensure a creation of capacities that would address plan priorities and targets in their right spirit. However, the fact is that it laid down in the plans no clear priorities for private sector. While left out with no clear direction, private sector chose those industries which appeared more profitable. The DGTD as well granted licenses to private sector mostly for profitable industries (e.g. luxury goods).

By granting of a license to an enterprise, one would not get guarantee (assurance) that the production capacity permitted would be installed in actual. The fact remained that capacity created in some cases was less than that allowed in the license. As a result, many large-scale industries indulged in preventing the emergence of new enterprise. They also indulged in to practices like restrict in the output

and raising the price. Since the close of the Second Plan, the government adopted a practice of granting licenses for capacities that were far in excess of the plan targets. In some cases, the actual capacities created were larger than the expected. These cases were paper, cement and ceramic industries in which a sizeable unutilized capacity appeared. In some cases of over licensing, the licensees deferred in implementing the full licensing capacities out of the fear of creating excessive capacity. As a result of it, industries in which capacities were granted over the license suffered under utilization of the capacity. This fact was disclosed by the Centre for Monitoring Indian Economy. As per the study conducted, the capacity utilization was fallen from 85 percent in 1970 to 73 percent in 1975 and it reached 74 percent in 1980. This indicates that, during the mid-sixties and seventies, in cases of many large scale industries, the installed capacities were under utilized and it resulted in arresting the pace of the industrial growth.

After the phase of strains and stresses experienced by the industries got over, and the shadows of inefficient industrial licensing policy, procedural delays and under-utilization of capacity over industrial production and growth during mid sixties and seventies get cleared, a sort of relaxation was sought. The economic survey for 1966-67, reported, "a number of changes were made in the regulations governing the establishment and utilization of industrial capacity. There were modifications in the industrial licensing regulations, import control system and in the controls of distribution and prices of industrial products." Once the process of relaxation began, it paved the way for another vicious circle of relaxation. Its commencement led the Indian industry to further economic distortions. This, in turn, caused a pressure on the government to loosen the discipline and the control. However, the whole system of controls focused more on the regulatory aspect rather than condemning the developmental aspects of the Industries (Development & Regulation) Act.

3. Industrial Recovery Period (1981-91):

As it gets reflected in the table 2.1, the eighties can broadly be termed as a period of recovery. During the periods 1981-85 and 1985-90 years, earmarked for during the Sixth and the Seventh Plans, the industrial growth rate picked up the pace to 6.4 percent and 8.5 percent per annum respectively. Vijay L. Kelkar and Rajiv Kumar (1990) note, "this is a marked upturn from growth rate of around 4 percent achieved during the latter half of sixties and the seventies". The industrial performance marked an improvement over the growth rates achieved during the first and second plan period. Similar trends of industrial recovery during the eighties are recorded in other studies. Ahluwalia (1991) notes that the period of 1980s was "marked by significant acceleration in the growth of value added in the manufacturing sector". It grew at the rate of 7.5 percent per annum in the period 1980-81 to 1985-86. The study also points out a significant aspect of the growth revival during the first half of the eighties. The growth revival was not associated with acceleration in the growth of factor inputs. It was rather based on a better productivity performance. In line with this, R. Nagraj's study in 1989 presents that the growth rates in value added in the registered manufacturing turned out to be 7.6 percent per annum during 1959-60 to 1965-66, 5.5 percent per annum during 1966-67 to 1979-80 and 10.4 percent per annum during 1980-81 to 1986-87. This gives a clear picture that the industrial growth in the period 1980-81 to 1990 is substantially higher than the industrial growth in periods earlier to it.

The fastest growing sector during the first half of the eighties was the consumer durable. It attained a growth rate of above 14.3 percent. This rate of growth in consumer durables continued during the period of the nineties too. In reference to a marked change in the industrial pattern during the eighties, Dalip S. Swamy (1994) states, "there was a significant increase in government expenditure on all services in the eighties. Hence the consumption pattern of the service class is less food intensive and more oriented towards durable

consumer goods. Therefore, the consumption pattern of effective demand in the eighties changed in favour of consumer durable goods". While in case of consumer non-durables items, the growth rate remained only at about 4 percent during the eighties and the early nineties. As a result, the changing pattern in consumer durables pushed growth to the forefront during the eighties. Likewise, during the second half of eighties, a group of chemicals, petrochemicals and allied industries attained progress at the rate of 14.8 percent per annum. It was remarkable and gave a boost to a higher rate of growth throughout the eighties. Against this, the sectors of machine building, metal products, basic metal and alloys and iron and steel, however, recorded a lower growth rate. The leading role adopted by the chemicals and the petrochemicals sectors mark them as prime determinants of growth in the industrial sector. It goes in marked contrast with the growth pattern of the 'Mahalanobis Period', that was premised upon metal based products and machine building (Kelkar & Rajiv, 1990).

In short, if we have a glance at a pattern of industrial growth, we notice that the prime mover of high industrial growth during 1959-60 to 1965-66 was the metal based group of industries with basic metals like metal products and machinery (both electrical and non-electrical). Whereas the prime mover of high industrial growth in the eighties was the chemical based group of petrochemicals, chemicals and allied industries. According to Vijay L. Kelkar and Rajiv Kumar (1990), the former is more suited to the country's development objectives and is more in line with the economy's comparative advantage and has a better prospect for international competitiveness. While according to J.C.Sandesara (1992), in the interest of the country's development objectives, both the groups of industries are essential. The event of 1955-65 was marked by an investment-led growth. The demand-led growth of the eighties goes in contrast to it. During the first three plans, the basic and capital goods industries were growing at the fastest pace among the various segments of industrial output, whereas during the eighties the fastest growing segment of the industry

emerged in the consumer durables. An effective demand for it derives mostly from a rather restricted income group.

The high industrial growth registered a changed structural composition. It came about due to investment in infrastructure on an increase and the capacity utilization in the industrial sector on similar lines of improvement. Some modifications were made in industrial and trade policies during the mid-seventies and the eighties. They permitted a greater role to the private sector in the development, than it, was done in the past. It as well eased the restrictions and controls. Regarding the specific cases of easing of control, references were invited on which the limit of investment for licensing may be raised. In that light, delicensing a number of industries, broad-banding and streamlining of licensing procedures, raising investment limit of MRTPL Companies, Export promotion and better capacity utilization along with capacity creation to achieve economics of scale etc., were the key policy modifications which helped a pick up in industrial growth during 1980's. Ahluwalia in her study (1985) argues in that light that the pick up in the industrial growth occurred in response to the changes in the policy, and partly due to the increase in investment in infrastructure during the eighties. In line with it, J.C.Sandesara (1992) states that factors to contribute to industrial growth were increase in investment in the infrastructure and their efficiency in the manufacturing sectors and liberalization of policies and the streamlining of procedures. Moreover R.Nagaraj (1990) divulges with considerably new statistical evidence having a bearing on the factors as they accounted for a pick up of industrial growth during the eighties. He shows how improvement in public investment, better performance of infrastructure and a decline in unfavourable terms of trade in favour of the non-agricultural sector accounted for acceleration in the 1976 to 1990 period. He also admits that the process of liberalization initiated and followed during this period played a vital role in enhancing the industrial growth rate.

The above discussion thus, shows that the policy changes had a desired effect to a certain extent. The private sector that was burdened

for long with excessive regulations took the advantage of new liberal opportunities that was offered to expand, diversify and modernize. As a result, the decade of 1980s registered a sharper pick up in industrial growth than the one in the past.

Further during the eighties, liberal approach of the industrial policy created a conducive environment. It provided greater flexibility to the private sector in respect of entry into businesses, expansion of scale, change in production-mix, etc. It was worked out through the dismantling of number of controls over prices, creation of production capacity and encouraging foreign collaborations. It also opened of areas that were reserved previously for the public sector. All these measures allowed the private sector to increase production and also to redesign its investment. It could develop output freely in view of profitability consideration and demand in markets. All these had minimal positive impact on the working of the public sector. The liberal approach allowed to the private sector resulted into changes in industrial growth structure during the eighties. Hence, for reasons like these, the private sector has been more active in the industries like chemicals, petrochemicals and consumer durables sectors. Because these sectors yielded high profitability, faced with favourable price effect and imparted experience of high flow of investment. The private sector remained less active in metal based products and machinery. Since the sector did not promise higher profitability, it was faced with an adverse price effect. Consequently, it imparted an experience of decline in share in investment flows. The metal based products and machinery became relatively less dearer area vis-à-vis chemicals and related products. Further with more liberal imports, as a result of government policy, they suffered on account of competition from imports. As a result, metal based products and machinery industries lost their primacy in industrial growth during the eighties. They faced prospects of further decline in future.

As stated earlier, the policy of liberalization, pursued by the Government during the eighties, resulted into increase in income and

money supply in the economy. This, in turn, resulted in inequality of income distribution, which was mostly in favour of the richer segment of the society. As a result of it, the output of consumer durable goods was expanded at a fast pace, while the output of mass consumption goods was raised at a very slow rate. On account of this growth pattern, as Vijay L. Kelkar and Rajiv Kumar (1990) argue, the demand pull on industrial growth rates in the eighties originated from rather a limited segment of the population, the elite and the affluent. Thus, the growth, even if it could be viewed as a consumption-led growth, did not have a broad demand base in the economy.

The growth during the eighties can be seen as spearheaded by a handful of "sunrise" industries, namely chemicals, electric machinery, electronic appliances etc. However, the industrial growth did not have a suitably corresponding multiplier effect on the economy. Most of the high growth industries were highly capital-intensive and the backward linkage benefits rendered though the demand for machinery and components largely imparted in favour of foreign suppliers of imported equipments.

The history took its turn when in mid-eighties. Private investment-led industrial growth became attenuated and a fresh round of industrial slow down occurred. Following it, the recession began in basic metal sectors and ultimately it spreaded to the capital goods sector, automobiles, chemicals and consumer durables. By the end of the decade, the country slipped into another economic crisis characterized by increasing unemployment, rising prices, and chronically incompetent public sector, and the like. The growth that had occurred in the private sector during the last decade, although impressive, had a narrow base. It was confined largely to a handful of high-flying industries. This shows that the government imposed an industrial structure that goes against the comparative advantages of the economy and brings about declining trends in international competitiveness of the Indian industry.

4. The Post Reforms Period 1991 onwards:

The new industrial policy of 1991 was on a major part, a board structural adjustment programme in India. It was set in motion specifically with a declared objective of transforming the basic nature of functioning of the economy in lieu of planned economic development over the period from 1951 to 1990. It was formulated with an objective of an outward looking export oriented economy to facilitate restructuring of industry and to gear it to capital accumulation from the global resources. To attain these objectives, several liberalization measures and a number of reforms were introduced in policies concerning industrial, fiscal, trade and foreign investment matters. The new industrial policy of 1991 was expected to usher in rapid industrial growth, even it failed to leave up to its promise. The table below exhibits the rate of growth of industrial production in the time 1991-92 onwards. The picture that emerges gives projection of use based or functional classification and the growth pattern for each item category.

Table – 2.2 Rate of Growth of Industrial Productions (use based), 1991-92 to 1996-97.

(percent per annum)

Sr. No	Use Based or Functional Classification	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
1	Basic Goods	6.2	2.6	9.4	5.5	8.3	8.2
2	Capital Goods	-12.8	-0.1	-4.1	24.8	17.9	5.9
3	Intermediate Goods	-0.7	5.4	11.7	3.7	11.8	9.7
4	Consumer Goods	-1.8	1.8	4.0	8.7	14.3	4.1
	(a) Durables	-12.5	-0.7	16.1	10.2	36.1	5.4
	(b) Non-Durables	1.2	2.4	1.3	8.4	8.8	3.7
5	General Index	0.6	2.3	6.0	9.4	12.1	7.1

Source:- Government of India: Economic Survey, various issues.

Looking at the table – 2.2, one finds that during 1991-92 and subsequently in 1992-93, the general index of industrial production

suffered a set back. The rate of growth of industrial production was recorded only 0.6 percent in 1991-92 as against the growth of 8.3 percent in 1990-91. In 1992-93, the rate of growth was also low at only 2.3 percent, while the position improved distinctly in 1993-94, 1994-95 and 1995-96. The rate of growth of industrial production in 1993-94 was 6.0 percent followed by a higher rate of growth of 9.4 percent in 1994-95 and 12.1 percent in 1995-96. But it was surprisingly registered only at 7.1 percent in 1996-97 earmarking a set back from the height attained in 1995-96.

As regards the structural composition, a most serious set back occurred in the cases of capital goods and consumer durables in 1991-92. It showed a contrast to that in the period of eighties. These sectors suffered a decline in production from 12.8 percent and 12.5 percent respectively. Both these sectors faced a negative growth in 1992-93 as well. But their performance was not as bad as in 1991-92. Whereas capital goods sector registered a phenomenal growth of 24.8 percent in 1994-95 and 17.9 percent in 1995-96. The consumer durables sector registered a growth of 10.2 percent and 36.1 percent respectively during the same period. Against it in 1996-97, both the sectors recorded a growth of 5.9 percent and 5.4 respectively. Whereas in the same year, the intermediate goods sector and the basic goods sector recorded deceleration in growth with some change and with marginal change respectively.

The above analysis, exhibits that during 1991-92 and 1992-93 the industrial growth marked a setback despite of a series of liberalization measures announced by the government under the new Industrial Policy of 1991. If one accepts this position, the logical conclusion would be that more liberalization may result in a still faster industrial growth. J. C. Sandesara (1991) argues, in this context, that the new industrial policy seeks to raise efficiency and to accelerate industrial production. According to him, new reforms and modification in the industrial licensing policy, foreign investment, foreign technology agreements and MRTP Act etc., would not need to obtain prior

clearance of the government. It would help to reduce the project time and the project cost. This allows enough attention to affect optimum utilization of available material and human resources to attain high productively. It will enhance the efficiency of the industrial sector.

But in the light of the fact that despite the policy of liberalization, the industrial growth received a set back, we are compelled to look at factors like demand and supply constrains in the initial phase of liberalization. On one hand when the import compression measures were initiated on the supply side and it was due to paucity of foreign exchange in the import dependent industries, on the other hand the factors like the cash margin requirement on imports, the interest surcharge on imports, credit imposed by the RBI and the devaluation of the rupee in July 1991 etc. increased the cost of imports. It, in turn put the production cost of import dependent industries on the higher side. In addition, credit controls along with the high interest rate and the taxation also played a role to affect rise in industrial cost of production. It further affected the profitability position adversely and ultimately to the incentive on increased production in industrial sector. The demand side also faced the same results during the same period. The effective demand of industrial goods declined and the factors to affect it were inflationary pressure, reduction in public expenditure and strict fiscal discipline etc. It finally led industrial growth to receive a set back.

Further in 1991, the government of India fell pray to the adoption of the macro-economic adjustment programme of the IMF. The programme forced the government to put a drastic cut on its public expenditure. It brought about a reduction in the rate of growth of public investment. The reduction exerted a depressing effect on the private investment as well. It finally realized its role into a set back of industrial growth during the period 1991-92 to 1992-93. As the Planning Commission visualizes, the most important reason for lower growth rate in capital goods sector during the Eighth plan period was a sudden change from closed and protected environment to an open market environment resulting through liberalization and globalization

(Government of India, 1996). A four decades long sheltered Indian industry was suddenly exposed to foreign competition. It happened through a significant liberalization of imports and drastic reduction in the import duties. The consequence was the slow down of production activities that got reflected into a very low growth rate realized in the first two years of the Eighth plan. An analysis of the policy constraints on industrial growth reflects that the responsibility for low rate of growth may be assigned on some exogenous factors. They include some like inadequate availability of infrastructure, dumping of goods by foreigners at low cost, slowdown in the rate of growth of agricultural production and adverse effect on investment demand on account of socio-political un-certainty etc..

After a brief spell of restructuring and lower growth rates consequent to it, the industry started responding positively to the policy initiatives of the new industrial policy of 1991 during the Union Budget of 1992-93, 1993-94 and 1994-95. Several measures were taken such as, an extension of MODVAT to several industries, a reduction of corporate taxes, rationalization and reduction of customs and excise duties to impart cost advantages, liberalization of imports and boosting exports, etc. It helped in accelerating the industrial growth during 1993-94 to 1995-96. Moreover, the aspect of liberalization in the policy enabled the private sector to enhance the industrial investment. The industrial investment was further enhanced by stock market and reforms in capital market and liberalized rules with regard to foreign capital. As a result of these measures, the new competitive environment emerged in the market. It helped to promote the private corporate sector for widespread restructuring of business operations and bring about mergers, amalgamations, and acquisitions etc. With a view to achieving the economies of scale, in the view of global span, a need was felt like tapping export markets and entering into collaboration with foreign companies. It would help to brace up to competition from multinationals. The poor performance registered in the 1996-97 with the rate of growth of industrial production falling to

just 7.1 percent was the conditions arising out of the depression in the capital market. When sources of investment funds were dried up small and medium industries faced problems to access institutional funds. As a result, many industries had to abandon or postpone their investment programmes. The larger enterprises were, however, in a better position to access funds. Some of these units utilized the resources largely in mergers and acquisitions rather than in additional capacity creation. This financial "Liquidity Crunch" constitutes the primary cause in industrial sector responsible for industrial deceleration during end of the Eight Five Years Plan.

Conclusion:

The overall view of the industrial policy resolution, reflects very distinctly that the Government of India held intention and interest to encourage rapid industrialization in India. It also envisaged that it should go in association with a balanced structural base and industrial growth pattern prescribed in the strategies and priorities of industrial policies under the Five Year Plans since 1951. However, the fact remains that the objective of high and balanced growth pattern of industrialization was not consistently maintained or pursued. Inefficiency were reflected glaringly in the implementation and controlling machinery of the government through its industrial policy resolutions, industrial licensing policy and their other controls and decontrols measures etc. They played the role of hurdles in the avenue of growth.

The first three five year plan period witnessed high industrial growth rates and changing structural composition. They occurred in consonance with the strategy of industrial policy resolution of 1956. This favourable industrial growth pattern emerged due to the emphasis on the strategy oriented to basic capital and heavy industries oriented and the pursuit of industrial growth as a supreme objective in the industrial policy and planning. The excellent synchronization between them with massive expansion of investment in the public sector and in

the basic and capital goods industries created a good environment for rapid industrial development in India during the period 1951-65. Yet it was surprising that the period of 1965-80, that followed closely, registered a reverse trend in terms of low industrial growth. It occurred despite of the fact that the same strategies and priorities at industrial programmes were continued in the successive plans period. It slowed down the industrial activity. The phenomenon of structural retrogression occurred, with a decline in the growth rate of capital goods and basic goods industries. The cause was the inefficiency of the government machinery to implement the industrial licensing policy, the procedural delays and restrictive controls measures imposed by the government of India.

The structural composition during the period 1981-1990 marked a significant change although with the same base of growth pattern strategy of the policy and the plan. A new structural composition of industrial sector emerged, with increase in the growth rate of basic chemicals, petrochemicals and their allied industries. These industries stood well against the growth of basic metal and alloys products, metal products and machine building industries. This is a marked contrast with a growth pattern of the mahalanobis period, that premised upon metal based products and machine building industries. Such structural composition emerged as a result of some modifications made in the industrial and trade policies in the form of delicensing of industries, broad banding and streamlining of licensing procedures, etc. These were modifications in the key policy that led to accelerate the industrial growth during eighties. The post-reforms period since the 1991 registered another setback of more serious kind. The growth pattern, reveals a gloomy picture a low industrial growth rate. The causal factors were mixed trends of structural composition that emerged through a series of liberalization measures announced by the Government of India under the new industrial policy of 1991.

All these facts bring us to the conclusion that the industrial and licensing policy system and the control and decontrol (liberalization)

measures etc., played miscalculations resulting in inability and inefficiency to maintain steady and balanced growth pattern of industrialization envisaged in the plan priorities.

2.3 REGIONAL DISPARITIES IN INDUSTRIAL DEVELOPMENT:

The impact of industrial policies on the regional development of industries may be evaluated by recognizing the plan's strategy or objectives and the corresponding industrial policy and their amendments.

Within the framework of the Industrial Policy Resolution of 1948, the first five year plan (1951-56), emphasizes the importance of licensing policy (i.e. Industrial Development and Regulation Act, 1951) to regulate the location of industries. At that point in time, the issue of regional inequalities or of industrial development in the backward areas did not exist to demand attention. However, it recognized that the industrial growth and diversification would take place if the adequate infrastructure is provided in the underdeveloped areas.

Further, the Industrial Policy Resolution of 1956 stated that the disparities in levels of development between different regions should be progressively reduced. Therefore, to achieve balanced regional industrial development, the policy resolution proposed to set up industrial estates in all the states. They were to be located mostly in the smaller towns and rural areas. Accordingly, the Second and Third Plans recognized the importance of the need of dispersal of industrial development. This would be accomplished by the promotion of large-scale industries, specifically basic and heavy industries and labour intensive consumer industries. They needed to be located in the less developed areas subject to technical and economic limitations. So to pursue the above issue, the pattern of investment must be so devised as to lead to balanced regional development. Also, the instruments needed to be evolved to translate the programmes for industrial dispersal into action. They should be furthered through the various five-

year plan documents. For instance, the policy of 1956 and later the Third Plan reiterated that infrastructure facilities such as power, water supply, transport and communication, etc., should be made available to industries established in the backward areas (areas industrially lagging behind). It is again true that the realistic approach towards the promotion of industrial development in the backward regions started only during the Third Plan. It emphasized on the use of two instruments for the regional industrial development, location of public sector and introduction of industrial licensing policy for the location decision of the private sector. In addition to this, the Third Plan also put forward the concept of large projects as nuclei for regional growth.

In the pursuance of this policy package and approach, the Fourth Plan proposed to introduce schemes such as, the introduction of central investment subsidy, a concessional finance scheme, transport subsidy and sales tax concessions, etc., for industries in the backward areas. Similarly, the Fifth Plan proposed to evolve appropriate machinery. It would identify industries that may suit the needs and potentials of the backward areas through techno-economic surveys, infrastructure development and feasibility studies. In order to find/work out a solution, the planning commission formed two working groups in 1968, viz. the Pande Working Group, it took to the identification of industrially backward areas; and the Wanchoo Working Group, it was set up to recommend fiscal incentives for industries in backward areas.

Further, in the Sixth and Seventh Plan, the draft continued in the line the earlier policy package without major changes. It altered only the concept of practice of the dispersal of industry programs, from large scale projects to small scale projects (during the sixth plan). The Sixth Plan also emphasized issues like the rural development, employment generation, integrated area development and appropriate technology. In addition to this, a special scheme for developing infrastructure in No-industry Districts was introduced and from 1st April, 1983. Backward districts were classified into three categories, viz., A, B and C, according to the degree of industrial backwardness. Each of them was

granted varying levels of subsidies and concessional finance from the All-India Financial Institutions. It was expected that such schemes would stimulate industrial growth in the backward areas.

The Seventh Plan continued the same line and recognized the importance of growth centers and nucleus plants. It provided that in order to make the maximum use of the existing infrastructure, emphasis would be laid on the concept of growth center for promotion of industries in less developed areas. Around the growth centers so selected or identified nucleus plants may be located and ancillarisation would be encouraged.

The Eighth Plan proposed to continue with certain policy measures which sought to address the problem of regional imbalances. It was carried more directly through 70 growth centers that provided infrastructure facilities to attract industries in the backward areas. When the licensing policy was abolished for the private and public sector, the growth centers were the only instrument available to facilitate balanced regional development. It was also stated in the Eighth Plan documents that a policy for locating industries near small districts towns and hilly areas with low industrialization so far might prove more effective and would help the general economic climate for growth at such locations. For instance, to accelerate the industrial development in the North-Eastern Region the government proposed to set up a new North-Eastern Development Bank (NEDB Union Budget 1995-96) with the purpose of finance creation, expansion and modernization of industrial enterprises and infrastuctural projects. However, with all these plans lacked any practical measures to solve the problem of regional disparities.

Finally, in the direction of reducing regional disparities the Ninth Plan proposed to enhance the productivity of agriculture in backward areas. It also proposed to increase the degree of integration between rural areas and the rest of the country through improved transportation, communication and provision of marketing support. It

as well stated that all the states should extend their co-operation following the public policy and put in efforts to resolve this problem. It must be acceptable to all the states in the interest of their own regional development.

The above overall view of regional policy and plan programmes addressing the issue of regional industrial development, there emerges a picture that, the government always viewed an interest of encouraging industrialization of backward areas as priority to ensure balanced regional development in India. However, many of these promising approaches are not pursued with sincerity and integrity. Glaring inefficiencies in the licensing policy is one illustration to explain it. The actual operation of this policy in consequence accomplished just the opposite results. It proved a regrettable inability to achieve a better distribution of industry among different regions and states. As noted by the Dutt Committee (1969), the four industrially advanced states of Maharashtra, Gujarat, West Bengal and Tamil Nadu benefited the most from the licensing policy, while the claims of the poor states like Bihar, Orissa, Uttar Pradesh and Madhya Pradesh were sadly neglected under it. M. Fazal in his study (1996) notes that, in spite of the recommendations of the Dutt Committee for a more even distribution of industrial licenses amongst different regions, the industrially advanced states continued to corner a major share of total licenses issued. In order to mitigate the discrimination against backward regions, the government decided to issue more licenses to such regions. However, the fact remains that even in issuing licenses to backward areas, the backward areas to receive more favour were those belonged to relatively more industrialized states of Maharashtra, West Bengal, Tamil Nadu and Gujarat. Thus, the policy did little to ensure a better regional balance in industrial development. Moreover, the licensing policy could not be dispensed within a planned economy. It remained ineffective to achieve an objective of balanced regional development in the absence of other instruments like monetary policy, fiscal policy, price control, capital issues and import control policies, etc., In line with this, Samir Joshi in his study (1995), observes that the industrial licensing policy

was undoubtedly impaired to work out a strategy for Industrial dispersal. The fact was that there was a complete absence of specific provisions in the Industrial Development and Regulation Act that sought to give an incentive to industries set up in backward areas. According to him, it is also worth to add that, while taking a final view on industrial licensing application, various other factors viz., priorities in the national interest, the nature of projected demand and scope for further licensing, effect on balance of payments, etc., also need to be reviewed despite its desirability to locate industries in industrially backward areas. Therefore, the industrial licensing policy failed by and large to implement the plan strategy and could not by itself promote industrial development in industrially backward areas. According to Bhagwati and Desai (1970), the licensing policy failed to reduce regional disparity and the reasons were political pressures. They state "there was a scramble for most industrial licenses, thus, creating a great political pressure for dividing up each target among as many states as possible with the licensing committee. As a result of this loopholes in the licensing policy, the most of the large scale industries were concentrated in the industrially advanced states of Maharashtra, Gujarat, Tamil Nadu and West Bengal.

In fact, though substantial investment was made in large industrial projects located the relatively backward states of Bihar, Orissa and Madhya Pradesh, etc., the expected trickling down effects of development continued to remain poor and large backward areas of these states remained untouched by the planning. Thus, the strategy of locating large industrial projects in the backward states has not yield results in any significant way in improving and affected reduction in their regional disparities. Accordingly, almost all the schemes like capital subsidies, finance and fiscal incentives, and measures for developing backward areas proved futile. The measures to initiate and develop industries in backward areas were in fact directed towards developing the backward areas of developed states. And the demands of backward states were glossed over and ignored.

2.4 THE CONCENTRATION OF CORPORATE POWER:

These needs to examine the efficacy of the industrial policy with which the licensing policy sought to achieve the objective of curbing the concentration of corporate power in a few hands. The industrial policy resolution of 1956 viewed the licensing policy as an instrument to establish an equitable society, as envisaged in our constitution and plans. And what we have got is the reverse. The corporate power has been getting concentrated in the hands of a few large business houses. This reveals that the industrial licensing policy exerted a very poor influence towards this objective.

The policy measures in its original tended to concentrate more and more resources and power in favour of large business houses with a view to initiating industrial development in India. This was disclosed by the Dutt committee report in 1969. It asserts that with the policy the large business houses could increase their assets considerably and raised the sales turnover so well during the period of planning. Over 90 percent of the total financial assistance from the term financing institutions went to large industrial houses and other independent concerns in the private sector. The committee further views that out of the total public financial assistance distributed during the 1956-66, 42 percent went to the 73 large industrial houses and 20 percent to the 20 largest houses. Similarly, Ghosh in his study (1974^a) also estimates that the share of the public financial institution in the private investment for new companies was just 8 percent in 1955-59. It was then increased to 24 percent in 1960-63 and to 35 percent in 1966-71. It also shows that the credit policy of the specialized financial institutions favored more large business houses against small and medium enterprises. With this financial support, large houses enabled to grow fast and to tighten their strangle hold on the economy. This, in turn, resulted into increased monopolies and concentration of corporate power.

Furthermore, in order to obtain industrial licenses, large houses adopted tactics of pre-empting licensed capacity. In the same manner, in the case of industrial finance, large houses attempted pre-emption of industrial finance in order to restrict the availability of institutional finance to other licensees and succeeded in their attempts. This explains the behavior of the large industrial houses that sought pre-emption of investment opportunities through acquiring as many industrial licenses as possible. Thereby they ensured for them an increasing share of new capacities created on the one hand and, on the other, keeping out potential rivals (Ghosh, 1974^b).

All enquiry committees give out observations in line with the above. The operation of the licensing policy indeed helps large business houses in their monopolistic motives. They are better informed and better organized to manage licenses earlier than others. As laid down in the "sequential" licensing system, licenses are granted on a 'first come first served' basis. According to the Dutt committee (1969^a), the large industrial houses maintain liaison offices in Delhi, that remains the center of licensing decisions since the Independence. These offices try to maintain vital contacts at business and social levels with senior officials in the government. With a view to influencing their discretionary powers in favor of the industrial concerns they play all tactics. Such liaison with officials put large industrial houses in a privileged position to collect information vital to the timing of applications and its full pursuance to get licenses applications. Furthermore, large industrial houses can get their applications processed more quickly and, hence, they suffer a smaller risk of revocation of license practised by the licensing authorities. While on the other side, the authorities are more eager to grant licenses to men of proven ability, instead of to new entrepreneurs. Such an attitude of authorities restricts the freedom of one's entry into industry and it, thus, helps the process of concentration of corporate power.

R. K. Hazari in his study (1967), records that to prefer an application for a license, the implicit requirement is an availability of

foreign collaboration and finance. This criterion imparts an added advantage to large industrial houses. While smaller entrepreneurs are at a disadvantage in relation to bigger rivals with more international contacts. Thus, it appears that the industrial licensing policy has favoured more a fast growth of large business houses rather than protecting and promoting small and medium industrial enterprises.

As an impact of such policy implementation, the large industrial houses are sure that they can corner a considerable amount of targeted capacity by putting in multiple applications for the same at an early date. They can thus manage a fairly dominant place in among industries where tactics count well. Similarly, they adopt methods of simultaneous applications for licenses for manufacturing the same product in different backward areas and of obtaining licenses for different industries or for substantial expansion and licenses for increased capacity in particular product etc. With them, they keep an upper hand in the competition for license with other applicants. R. K. Hazari, also finds that this possibility at length the intention behind multiple or simultaneous applications help large industrial houses to capture capacity and keep competitors at bay. All this is made possible due to inherent gaps in the licensing system and also because of unauthorized co-operation on the part ministers and official members of the Government of India extended to large industrial houses.

There are even other factors such as faulty tax system, application and loopholes in various controls in respect of foreign exchange, import and price fixation etc. All these together enabled large houses to grow fast, despite the objective of curbing monopolies and concentration of corporate power. It is again apparent that several other loopholes or shortcomings of the license policy and procedures helped large industrial houses to corner a large number of licenses that resulted in concentration of corporate power.

Thus, we can conclude that industrial licensing system has not ensured the development of industries according to the plan priorities. It has failed to prevent concentration of corporate power in a few

hands. Thus, in pursuit of the objective of the above policy, the attention of the government changed in the light of weak experience of the licensing policy. Hence, it decided to give more weightage to the growth aspect of the industrial production rather than to reduction in concentration of corporate power. Therefore, after the year 1972-73, a reversal of licensing policies was noticeable with a shift of emphasis on increasing production. It virtually abandoned the objective of curbing concentration of corporate power. In order to translate these views into practice, the government initiated a number of measures that have been also modified from time to time during the period of planning as the scenario underwent changes.