

16/feb/17 Mon 5

AJAYA  
DATE / /  
PAGE NO.:

1. Structural Change in Indian Economy :-  
Change in sectoral distribution of domestic product.

The share of agriculture & allied activities in GVA (2011-2012) stands at 14%. for industry this share is 31.7% & for service sector GVA (2011-12) stands at 51.1%.

2. slow Change in employment structure.

Change:-

for GVA (2011-2012) it is 48.4% employment contribution by agriculture & allied activities. for industries 17.8% for services 30.3%

change is contrast.

3. growth of Basic goods capital industry.

(from R&D, mineral industry).

1956 industry policy → emphasizing growth of Basic Capital good industries.

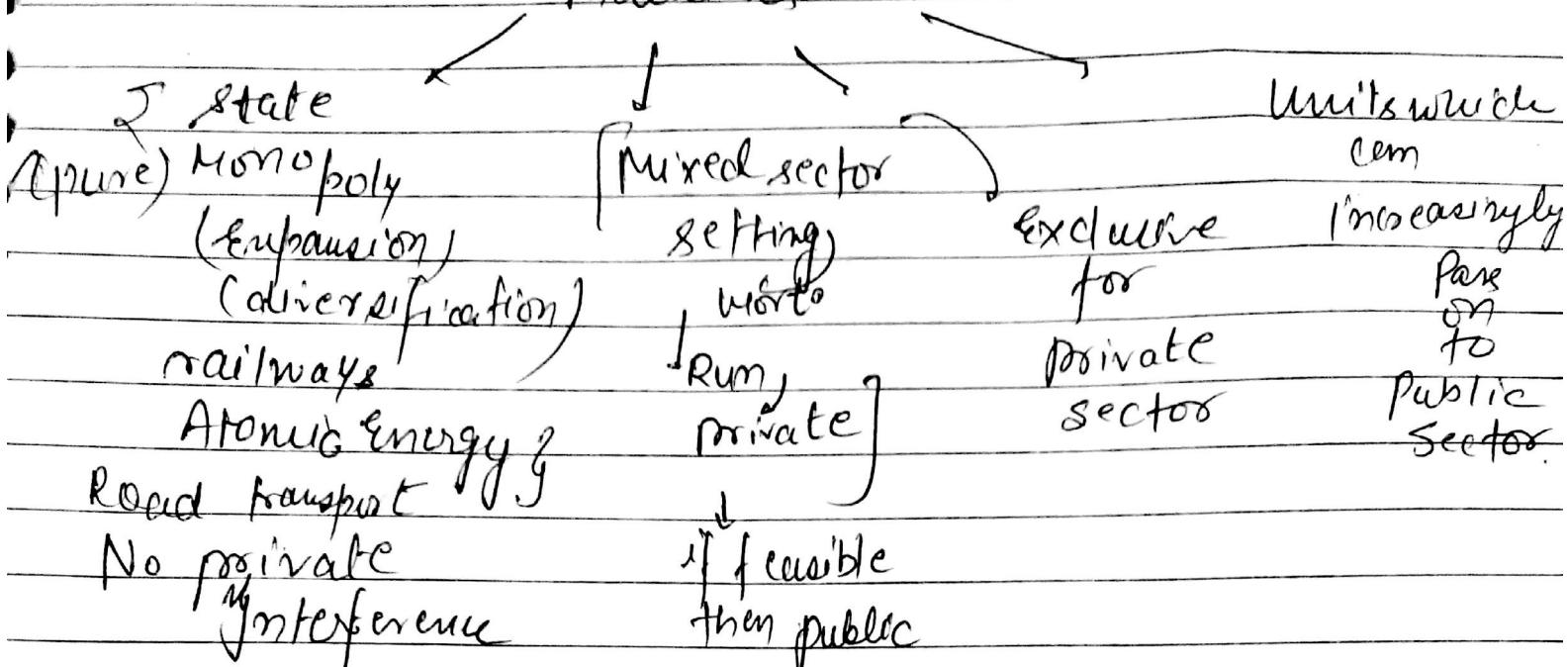
4. Expansion in social overhead capital basic facility (Transport)

has  
increased given the shift

5. progress in Banking & financial sector.  
financial help of economy for country out of global financial crisis.

## Industrial policy

1. 1948 (first Industrial policy) - spell out -  
Industries



public sector role is low.

## 2nd Industrial policy 1956

Industrial policy Resolution (IPR 1956)

- Basic purpose

regulation, development in

a balanced manner.

Objectives

Promote industries to be developed in  
an equitable manner.

2. Role of Public Sector

3. Establishing large industries but not  
at the cost of small scale industries.

RPR  
(1956)

DATE / /  
PAGE NO.:

(10) State absolute Monopoly

No. of Industries  
bulky

Road & air transport

(2) Mineral sector  
if private  
Jorawar (10 yrs)

if good ✓  
else bad ✗  
expanded  
than last time

units which  
are exclusively  
are the  
responsibility  
of

private  
sector.

1948 - 1951 - 1956

IDRA

Industries development & Regulation Act  
purpose → To promote development of Industries  
in a more balanced manner.

1969 - MRTP

Monopolist Restrictive Trade Practices act.

stop Monopoly  
objective! - everyone can get license.

1973 - FERA - foreign

foreign Exchange Regulation act.  
→ how to invest in Indian Industries

1948, 1956 drawback

license not available

licensing occulted in corruption &  
in unequal distribution.

1991 UPC

for one & all.

- Maharashtra, TN, Gujarat, Goa → Early access
1. Regional imbalances created through licensing.
  2. Quantity mentioned on licensing.
  3. Underutilisation of capacity due to licensing.
  4. Concentration of economic power & monopolies were created.

### # 1991 New Industrial policy of (1991)

features

1. There was a <sup>role of</sup> dismantling public sector.  
public sector for inefficiency.  
dilution of role of public sector.
2. Scrapping of the MRP limit.  
To promote, To diversify.
3. foreign technology agreements
4. More & more scope for the private sector participation especially for projects where results are urgently needed.
5. Major trend for new industrial policy  
The No. licensed / reserved units are reduced substantially.

Imbalance is restored through Monetary & fiscal policy.

11/ March

Thu

DATE / /  
PAGE NO.:

Problems related to finance & credit  
on higher rates of interest.

SIBB & SFPC - development

State financial corporation

Small industry development bank of India.  
70% advance is given to these.

→ Lack of infrastructure adequately  
Supply of power, water, Regularly  
transportation, communication.

→ NSIC Govt. of India

→ poor database

National small Industries  
corporation

→ SEDO Sm

→ central statistical Organisation

Small Industrial development Organisation.

infrastructure

adverse effect of foreign companies

Inverted tariff structure & raw material availability.

policy framework for small scale enterprises  
before 1991 after 1991

↓ Organisational structure for small scale industries  
was drastically changed

creation of board for

Creation of NSIC 1955

National Small Industries  
corporation.

to Machinery

S.I.S.E Small Industry service  
Technical assistance

S.I.D.O

Small Industries development organisation

MSME DO

Micro small & medium sized enterprise  
development organisation.

Industrial Estate

water, Electricity

relief from problems

factory accomodation etc.

D.I.C

district industry center

credit available (low interest  
raw material

Training, marketing.)

Increasing the plan expenditure.

42 crore - 8043 crore by 9th 5 five yr  
plan.

### 3. Reservation

small v/s large

& Reserve - as high as 836 items

were reserved for small scale industry.

1. financial assistance

1. Small Industries development fund.

2. (SIRD)

National equity fund  
(NEF)

↓ diversify  
easy rate of loan.

sick units

↓ Rehabilitation of small units

& also allowed for  
equity participation.

Single windows key  
long term loan apart from working  
(capital) requirement.

1991 SSDBI (Create 1989)

appr body which take care of SI-

Policy changes after 1991.

1. 6th Aug 1991 New small enterprise
2. Comprehensive policy package (2000) yr.
- 3.

↓ Provisions

1. 1st census.
2. 2nd census.

2. Exemption from excise duty limit was extended from Rs. 50 lakhs to 1 crore.

To conduct 3rd census of SPSI, (2001-02)

simply to remove competitiveness.

3. Investment limits to be increased from 5 lac to 10 lakh.

→ Investment limit for small scale & cottage industry.

→ Collateral free loan for SME's up to 100 lakhs. (credit guarantee fund scheme)

- Technology upgradation.
- ↳ Capital subsidy on loans up to Rs. 1 crores.
- Market development & assistance for the kisan
- reservation of the small scale units.
- opened up all small scale industries.

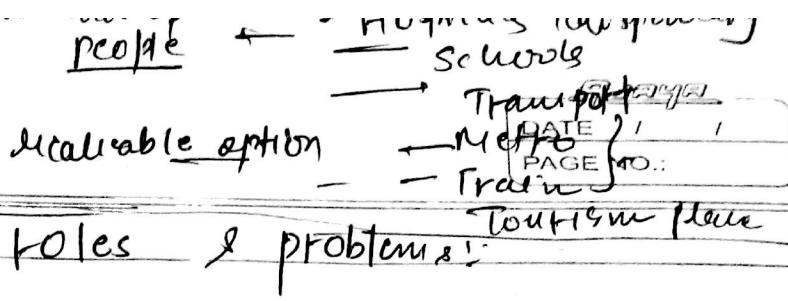
MUDRA :- Micro units development  
Refinance assistance

20,000 crores

National Manufacturing competitiveness programs -

1. ITR Intellectual awareness pertaining to ITR.
2. Support for entrepreneurial & managerial development.
3. Tool Rooms are to be created.
4. promotion ICT for SME's.
5. Manufacturing sector to be made more competitive QMS Quality management standard.
6. aspire ASPIRE March 2015 creation of incubation centers & technology center to accelerate entrepreneur & startups.

1991 Before 1991



## # Public Sector roles & problems:

- Socialistic concern
- gestation period ↑
- More capital
- Non-profitable
- growth accelerated
- regional distribution equal.

### Problem (Public sector)

- political influence (Hill side crippled)
- forced to be setup in rural areas
- delays
- pricing policy - Irrational  
(marginal cost price) X
- No profit no loss. ↴
- Maximization of welfare. ↴ Markup price
- corruption
- Transparency, inefficient
- public sector products quality.
- aura of operation - delayed profit.

policy burden for private sector.

2/March/17

Topic(s)

PAGE NO.:

## Trends in Industrial production

Phase I 1951 - 1965

Focus → Building up strong industrial base for Indian economy

→ This phase forms basis for industrial development

→ Emphasis on development of basic good & capital goods industries (First five yr plan)

→ Acceleration in compound growth rate of industrial production from 5.7% per annum to 9% per annum.

→ Rate of growth of capital good industries 9.1% /annum to 19.6% /annum.

→ Basic goods industries grew at increased 4.7% /annum to 10.4% /annum.

→ Credit for such expansion goes to sole played by public sector.

Phase II 1965 - 1980

phase of industrial deacceleration & structural retrogression (shift to be seen marked)

Capital goods → Consumer goods

→ there is a steep fall in rate of growth 4% /annum

Teacher's Signature

- last yr of phase 2 (1979-1980) recorded a negative growth rate.
- There is a structural regression because capital goods industries grew at only 2.6% annum whereas growth rates were high primarily for industries belonging to elite consumption goods e.g. beverages, perfumes, fine cloth etc
- deceleration was attributed to some external factors like war 1965, 1971, drought condition, oil crisis of 1973, slackening of investment of public sector, low contribution of agricultural sector etc.

### phases (1981-1991)

- The period of Industrial recovery
- rate of Industrial growth increased from 6.4% to 8.3% /annum.
  - New Industrial policy & a liberal fiscal regime.
  - New Industrial policy was on Supply side.
  - Contribution of agricultural sector improved.
  - Improving service sector.
  - A revival in the investment of infrastructure sector.

Signature

### Phase - C

1991 onwards

- post reform period. marked by considerable fluctuation & inconsistency in the industrial growth

Reason.

- exposure to external competition
- slowdown in investment (private - public)
- sluggish growth in export.
- bottleneck to infrastructure related

The change in industrial pattern during planning period

- Emphasis on Basic goods & Basic Capital goods industry
- There is an improvement in industrial sector contribution to GDP.
- a diversified industrial sector development
- growth of Infrastructure Industry.
- rapid growth of Consumer durables

problem faced by industries during planning period.

- external competition
- Infrastructure
- slow investment
- war, drought social-political factors
- More use of traditional Quantitative methods
- outdated techniques
- climatic changes.

Teacher's Signature

[Economic]

- lack of skilled labour
- fiscal deficit. (there are imbalances in import bills)
- gap between Target & what is achieved.
- Regional imbalance
- concentration of economic power in few hands
- corrupt practices
- Underutilization of capacity.
  - fluctuations in industrial confrontation
  - Industrial dispute, strike, lockouts & sickness.

2 March

PAGE NO.:

Small scale Industries:-

As per Micro, small, Medium enterprise development act of 2006.

(MSMED)

The small scale units have been defined in two categories

(a) Manufacturing

(Investment, plant,

Micro

Machinery)

Micro < 25,000,00

(b) Service

Investment  
(Equipment)

Micro

< 10 lakh

25,000,00 < Small < 5 crore

10 lakh small

~~at~~ < Medium

< 10 lakh

Medium ≥ 5 crore

2 crore < Medium < 5 crore

Small - 10 lakh

- 15 lakh

Tiny < 1 lakh

Role of small scale Industries in Indian economy

- Small scale units are Major contributor to GDP.
- 37.5% of manufacturing output.
- Regional dispersion of industry.
- Local talent utilisation
- Employment generation.  
(241 lakh) - 201 & 202

Teacher's Signature

which substantially increased 114 lakh people by 2013/14

- Contribution to export 40% of exports is being contributed by these SMEs.
- Motorization & utilization of entrepreneurship skills. It's done by small scale units.
- Exploration of latent potential through utilization of local talent & skill.
- Supplementary to large scale industries.

Problems faced by small scale units

- delayed payment by large scale units
- BIFR
- Small scale units are small size disadvantage so no competitive.
- despite reservation of policy of small scale units the small scale units fail to perform.
- Mounting cost increasing cost for small scale enterprises & inability to enjoy a fair price for their products.