NEW INDUSTRIAL POLICY 1991.

INTRODUCTION

The industrial policy means the procedures, principles, policies rules and regulations which control the industrial undertaking of the country and pattern of industrialization. It explains the approach of Government in context to the development of industrial sector.

The industrial policy in the pre-reform period i.e. before1991 put greater emphasis on the state intervention in the field of industrial development. These policies no doubt have resulted into the creation of diversified industrial structure but caused a number of inefficiencies, distortions and rigidities in the system. Thus during late 70's and 80's, Government initiated liberalization measures in the industrial policy framework. The drastic liberalization measures were however, carried out in 1991.

WHY DO WE NEED IP ???

To create a high-wage, high-productivity, high-innovation, high-investment economy based on diversity of ownership and enterprise type with many different industry sectors.

Industrial Policies Prior to 1991

Industrial Policy Resolution of 1948

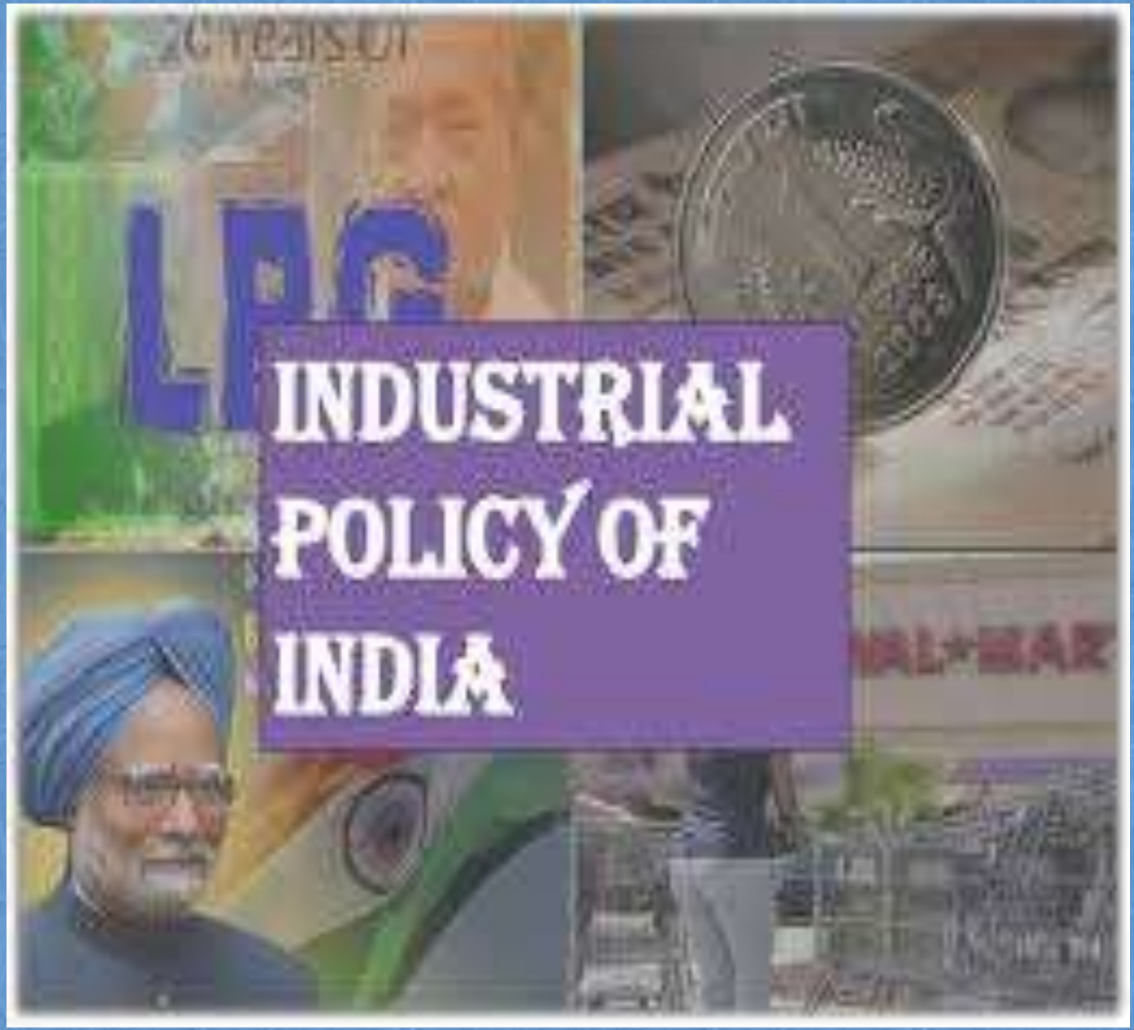
Industrial Policy Resolution of 1956

Industrial Policy Resolution of 1973

Industrial Policy Resolution of 1977

Industrial Policy Resolution of 1980

<u>**The New Industrial Policy of 1991**</u>



INDUSTRIAL POLICY 1991

In order to accelerate Industrial Development in India, and in accordance with the changing circumstances, various industrial policies were declared in the years 1948, 1956, 1977, 1980 and 1985, but in spite of all efforts, the pace and as well as the level of Industrial Development in India, could not reached according to its need. Therefore, in order to lift unnecessary restrictions on Industries, under the licensing policy, and to increase their efficiency, development and technological level, in order to make Indian goods usable in the competitive global market, on 24th July, 1991, in Lok-Sabha the Minister of States for industries, **Mr. P. J. Kurian** declared the Industrial Policy, 1991.

OBJECTIVES OF NEW INDUSTRIAL POLICY, 1991

- To liberalise the economy
- To increase employment opportunities
- To encourage foreign assistance and co-partnership
- To make the Public Sector more competitive
- To increase the production and productivity, give encouragement to industries
- To liberate the economy from various government restrictions
- Industrial development of backward areas
- To give liberty to private sector to work independently
- To make development for modem competitive economy
- To give encouragement for expansion of production capacity
- To increase exports and liberalize (facilitate) imports.

SALIENT FEATURES OF NEW INDUSTRIAL POLICY, 1991

- **Liberalized Industrial Licensing Policy**

Under this policy, with the exception of 18 industries, licensing system has been removed for all other industries. Some of those 18 industries, where the licensing system is still mandatory are; Army and Defence, Forest Conservation, Industries engaged in manufacturing goods which are harmful to the Environment and industries, which are manufacturing luxury goods, for the affluent (very rich) class, etc.

SALIENT FEATURES OF NEW INDUSTRIAL POLICY, 1991

- **Localisation Policy**

Those industries which are situated in cities, where the population is less than 1 million, industrial permission from the government, to start any industry is not required. In cities having population of more than 1 million, with the exception of electronics and other pollution free industries, all industrial units may be 25 kilo meters away from the city's boundary.

SALIENT FEATURES OF NEW INDUSTRIAL POLICY, 1991

- **Foreign Investment**

Provision has been made to invest up to 51 percent by foreign investors in the equity shares of Indian Companies. Earlier, this limit was limited up to 40% only. This will increase the flow of foreign capital into India and make possible technical exchange from developed countries.

SALIENT FEATURES OF NEW INDUSTRIAL POLICY, 1991

- **Workers' Participation in Management**

Under this industrial policy, emphasis has been laid on safeguarding the workers' interest. Provision has been made for workers' participation in management, in order to manage sick units, provision has been made to form co-operative societies of workers, to run them.

SALIENT FEATURES OF NEW INDUSTRIAL POLICY, 1991

- **Role of Public Sector**

Those public sector undertakings which are not doing well at present, but in which there are enough chances of improvement, shall be re-constituted. Public sector undertakings, which are facing constant financial crisis, shall be kept under observation by ‘Board of Industrial and Financial Reconstruction’ or by any other institution, which is fixed by the government.

SALIENT FEATURES OF NEW INDUSTRIAL POLICY, 1991

- **Change in the MRTP Act**

In the industrial policy 1991, major changes have been made in the Monopolistic and Restrictive Trade Practice Act. Companies having investment of Rs. 100 crores, will not be required to take prior Government permission, for opening new subdivisions, or to expand the present industry or for amalgamation of companies. This industrial policy has also eliminated the investment limit, which was fixed by MRTP Act.

SALIENT FEATURES OF NEW INDUSTRIAL POLICY, 1991

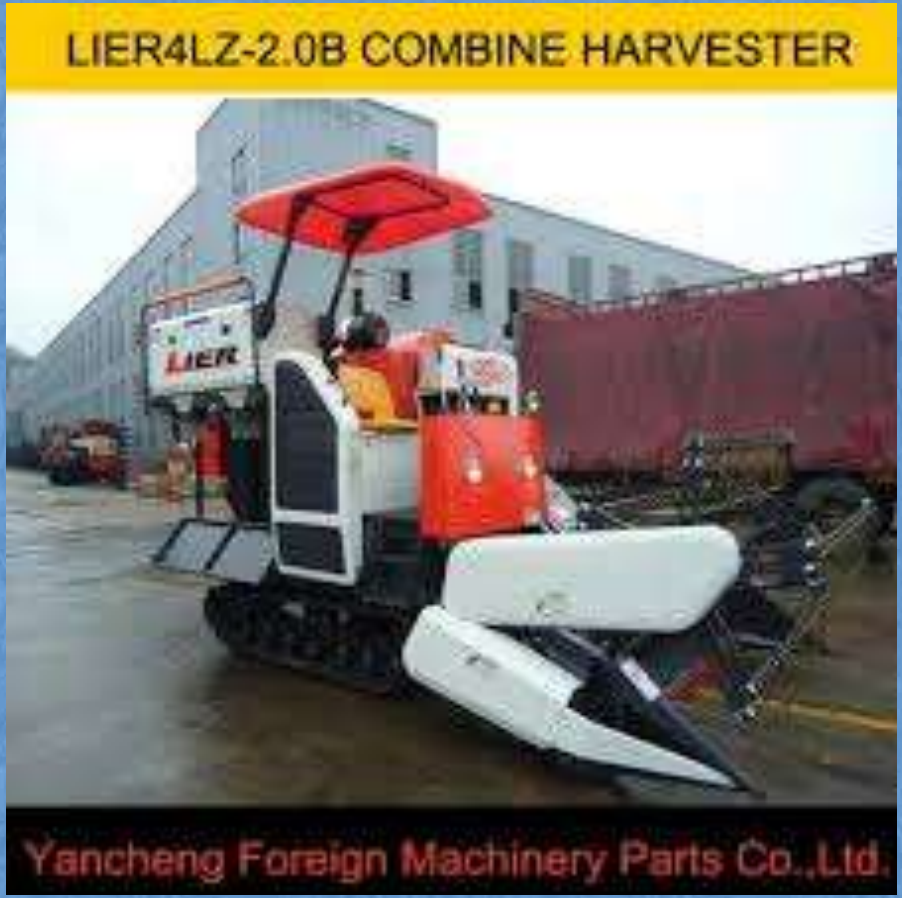
- **Creation of Productive Capacity**

In order to increase the productive capacity of new industries, all administrative controls have been removed. Industrialists will only have to inform the government of opening of new units or increasing their production capacity.

SALIENT FEATURES OF NEW INDUSTRIAL POLICY, 1991

- **Foreign Technology**

No prior permission from government will be required in importing foreign technology, up to the limit of One Crore rupees. Indian companies, will be free to negotiate their terms and conditions, with their foreign collaborators, in matters of technology transfers (exchange of 'technical know-how).



SALIENT FEATURES OF NEW INDUSTRIAL POLICY, 1991

- **Promotion of Industries in Rural Areas**

In order to remove the regional imbalances, under this industrial policy, various provisions have been made to encourage industries in rural areas.

Reservation of Small Scale Industries

This policy has stated that the government shall keep giving assistance to small scale industries. The limit for small scale industries has been reduced from Rs 3 Crores to Rs. 1 Crore, since 24 December, 1999.

Impact Of Industrial Policy, 1991

- The all-round changes introduced in the industrial policy framework have given a new direction to the future industrialization of the country.
- Industrial growth was 1.7 per cent in 1991-92 that has increased to 9.2 percent in 2007-08.
- The industrial structure is much more balanced.
- The impact of industrial reforms is reflected in multiple increases in investment envisaged, both domestic and foreign. This is due to encouraging response from the private sector.
- There has been dramatic increase in FDI since 1991. The foreign investment as a percentage of total GDP has increased from 0.5 percent in 1990-91 to 5.7 percent in 2006.
- Investments in infrastructure sector such as power generation have surged from players of various sizes in different states. The capital goods have grown at an accelerated pace, over a high base attained in the previous years, which augurs well for the required industrial capacity addition.

Conclusion

The Government policies and procedures in the pre-1991 period aimed at industrial development of the country, but the enactment of the IDR Act, procedures laid down for obtaining industrial licensing and various rules acted as a great deterrent to the growth of industries in the country. The bureaucracy acquired unprecedented powers and authority over all kinds of industrial activities. The NIP announced in July 1991, unshackle the industries from the cobweb of bureaucratic control to allow it to achieve international competitiveness. NIP encouraged foreign investment in the economy and opened it to greater domestic and international competition.

THANK YOU