Industrial Sociology

Date 20/09/19

UNIT : 03

Industrial Policy Resolutions

The industrial policy is a statement which defines the roles of the govt. in industrial development the place of public & private sector in industrialisation of the country. The relatives role of large & small communities, the role of foreign capital etc.

Objectives of industrial policy:-

i) Rapid industrial development :- The industrial policy of the govt. of India is aimed at increasing the tempo of industrial development. It seeks to create a favourable investment climate for investment in industry.

ii) Prevention of concentration of economic power

The industrial policy seeks to provide a framework of rules & regulations & reservation of spheres of activity for the public and private sector. This is aimed at reducing the monopolistic tendencies and preventing conc. of economic power in the hands of few big industrial houses.

iii) Balanced industrial structure –

The industrial policy is designed to correct the prevailing industrial structure before independence India had some fairly develop consumer goods industries but the capital goods sector was not developed at all and basic & heavy industries were largely absent. The industrial policy seeks to bring a balance in industrial structure.

(iv) Balance regional growth –

Industrial policy also aims at correcting regional imbalances in industrial development. It is the purpose of industrial policy to work out programme and policy which lead to the industrial development of backward area and thus correct regional distortion in the pattern of industrial growth.

v) Protection & promotion of small industries –

from 1956 to 1991, the govt encourage the small industries by reserving few items for the exclusive protection by the small units. The govt. also arrange for cheaper finance institutional support and marketing assistance to the small scale industry.

* Industrial Policy resolution 1948 –

The industrial policy resolution of April 1948 classified industries into 4 categories which are as follows –

i) Defence and strategic industry were to be the exclusive monopoly of the govt.

ii) In the case of basic and ~~for~~ key industry all new units were to be set up by the govt. while the old units were to continue to be run by the private entrepreneurs.

iii) Some industry were to remain in private ownership but subject to overall regulation and control by the govt.

iv) Rest of the industry were to remain with private sector where the govt. were to exercise only an overall general control.

v) Industrial policy resolution 1948 laid down the foundation of mixed economy where in the public sector & private sector co-exist and work in their areas.

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* Industrial policy resolution 1956 –

→ Classification of industry –
The industrial policy of 1956 announced the classification of industries into three categories –

i) Schedule A industry :–
This category included 17 industries, the future development of these industries was to be the exclusive responsibilities of the govt. The list included arms and ammunition aircraft building, air transport, ship building, mineral oil, heavy electricals etc. These industries form the exclusive domain of public sector.

ii) Schedule B industry –
There were 12 industries placed in schedule B which were to be progressively ~~stay owne~~ state owned in regard to the development of these industries the state was generally to take initiative in setting up new undertaking. However the private sector was also expected to supplement the efforts of the state in this category of industries. Some industries in this schedule were machine tool, aluminium, fertilizers, antibiotics, other essential drugs, road and sea transport etc.

The schedule B industry thus dependent for their development on the public as well as private sector.

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iii) Schedule C industry –
All the remaining categories fell in the schedule C, the future development of which was left to the initiative of private sector. The state was to provide necessary assistance to the private sector for the development of industries.

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Imp. Other features of Industrial Policy, 1956

i) No water tight compartment –

The allocation of industry into different categories does not means that they are placed in water tight compartment. The govt. was given the freedom to undertake any type of industrial activity. for ex. the responsibility of schedule A industry was given to the govt. but private enterprises may allowed to produce some of the items included in schedule A so this means even the public sector may also depend upon the private sector for some of its requirement.

ii) Role of small scale sector –

In order to achieve the growth of small scale sector, the resolution laid down list of 128 items reserved for exclusive production in small scale sector and this list could be expanded by the govt.

(iii) Balanced regional development–

The resolution recognised the need for balanced regional development. It emphasised the provision of industrial facilities like power and transport especially to those areas which lagged behind in the matter of employment and industrial development.

(iv) Management of public enterprises

The policy resolution stressed the need for management of state enterprises strictly along business lines.

The managers of public enterprises must also show efficiency and flexibility, the two attributes of sound business management

v) Development of Personnel–

The resolution 1956 provided for development of managerial and technological personnel for the rapid industrialisation of the country. facilities for their training were provided at various levels

vi) Industrial Peace–

The policy recommended provision of good working conditions to the workers, joint consultation and association of labour with management as steps to achieve industrial harmony.

Industrial Policy statement, 1977–

→ The janta govt. came to power at the center in 1977

→ It was strongly biased against large scale industry.

→ Aim of the policy was to advocate the growth of small scale and cottage industries as a remedy to the various problems of unemployment and regional inequalities in industrial development.

→ The main features of this policy were as follows–

a) Emphasis on cottage and small scale industry.

The main thrust of 1977 industrial policy was on effective promotion of cottage and small scale industry that were dispersed over rural areas and small towns. The keynote of the policy was whatever can be produced by small scale and cottage industry must only be produced by them.

b) Development of appropriate technology–

The 1977 policy emphasised the need for developing industrial technology because it makes more use of abundant labour resources without compromising efficiency in production. This would ensure large employment and better use of country's domestic resources

★ Industrial Policy statement, 1980-

→ With the fall of janata govt. and return of congress to the power, a new resolution was issued on 23rd july 1980, the features of this policy were optimum utilization of installed capacity.

→ Maximizing production and productivity & employment generation

→ Correcting regional imbalances.

→ Emphasis on cottage and small scale industry.

→ Promotion of export oriented industry

★ Industrial licensing policy -

The IP ~~laid~~ lays down the overall objectives of industrial development while industrial licensing policy provides for the instrument ~~and~~ to regulate and guides the programs of industrialisation to achieve these objectives.

The main aim of industrial licensing policy was-

→ To regulate the development of industries in accordance with the plans of overall economic development.

→ To control monopolistic tendencies and prevent with concentration of economic power in few hands.

→ To protect small scale sector from the competition by large scale industries.

→ To ensure optimum utilisation of scarce capital as well as limited foreign exchange resources.

→ To encourage the development of industries in the industrially backward areas.

→ To achieve and promote balanced regional growth

Flaws in the licensing policy-

In the report submitted in 1967 Dr. R.K. Hazari made some serious disclosures about the functioning of Industrial licensing system.

The committe found that some leading industrial houses made large no of application for grant of licenses for the same product and for a wide variety of products through multiple companies working under their control.

In many cases, new companies were created only for the purpose of making application for the licenses.

In this way, they cornered most of the licenses and effectively block the entry of other existing and potential entrepreneurs.

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This malpractice had serious adverse consequences for the industrial development of the country.

Dutt committe report-

The govt. of India appointed the industrial licensing policy inquiry committe under the chairmanship of Mr. Subimal dutt in july 1967.

The Dutt committe submitted its report in july 1969

It revealed the following major flaws in the working of licensing system.

i) Growth of large industrial houses-

Large industrial houses are defined as those business concerns which may be separate legal entities but are under common controlling authority and function in close coordination with each other as a part of common organisation under overall guidance, direction and control of closely knit group of persons.

ii) Grant of multiple licenses-

The committe pointed out that system of licensing was misused, the same industrial houses were given multiple licenses for the production of one or widevariety of goods. This was against the objective of preventing monopolies and conc. of economic power.

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These findings of Dutt committee show that Industrial licensing system failed to achieve the objectives of planned industrial development and to prevent conc. of economic power.

New industrial licensing Policy, 1970 -

In the light of recomendation of the committe of Mr. Subimal dutt, the govt. of India announce a new industrial licensing policy in february 1970. The main features of the policy were -

i) Core sector industries -

As recommended by Dutt committe, the govt. made a list of core industries consisting of basic key and strategic industries included in the ~~sport~~ course sector were the industry like fertilizer, pesticide, ~~RA~~ iron & steel etc. Those industry which fell in the core sector but have been reserved for the public sector could continue to be develop only by the public sector but in those core sector industry which are not reserved for public sector, large industrial houses and foreign companies would be allowed to participate.

ii) Heavy investment sector-

Industries requiring investment of ₹ 5 crore and above were categorized as heavy investment sector. In addition to the core sector the large industrial houses were expected to participate

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in this heavy investment sector except for those industries in this sector that were reserved for public sector.

The large industrial houses were now allowed to invest only in core and heavy investment sectors and leave the rest of the industries free for new entrepreneurs.

The reforms in the ~~indo~~ industrial licensing policy since 1970 were –

- Increase in the ~~a~~ exemption limit for licensing –

The exemption limit for industry from licensing was raised from time to time.

- Delicensing of industries –

Since 1970 many industries were brought out of licensing i.e. no license was required either for setting up new units or for expansion of existing units.

- Broad banding facilities –

In case of many industries concept of broad banding was adopted for the grant of license. Broad banding means that a license is granted for broad band of the product i.e. two or more categories of similar products. Thus, Instead of a separate license for motor cars, trucks etc. A

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license is granted for four wheeler which would Include car, jeep, vans etc.

- Facility for expansion to achieve minimum economic capacity –

With rapid change in industrial technology and deployment of latest equipment, many industrial units found that licensed capacity was far short of economic capacity that would made optimum use of new technology and reduce cost of production.

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* Imp. New industrial Policy 1991 –

- To liberate the industry from regulatory devices such as license and control
- To increase the competitiveness of industries for the benefit of common public.
- To enhance support to small scale sector
- To provide more incentives for industrialisation of backward areas.
- To insure rapid industrial development in a competitive environment.
- To ensure running of public enterprises on business lines and thus cutting their loses

Provision-

1. Abolition of industrial licensing -

The policy of 1991 provides for compulsory licensing for only six industries. These are - distillation industry

2. Tobacco industry
3. Electronic & defense industries
4. Industrial explosive industry
5. Chemical industries
6. Drugs and pharmaceuticals

2. Dereservation of industries for public sector -

a) Reduce reservation for public sector : Out of 17 industries reserved for public sector under 1956 policy, the new industrial policy dereserve 9 industries and thus limited the scope of public sector to only 8 industries. Now the exclusive are of public sector remains confined to only 4 industrial sector which are-

i) Defence Production
ii) Atomic energy
iii) Railways
iv) Minerals

b) Efforts to revive loss making enterprises - These public enterprises which are chronically sick are subject to B BIFR (Board of industrial and financial reconstruction for their revival)

c) This investment in selected public sector industrial units - As a rigier to raise larger resources and introduce private participation in public sector units. The govt. would sell apart of its shareholding of these industries to general public and purpose workers

d) Greater autonomy to public enterprises -

The thrust would be on performance improvement of public enterprises to greater autonomy

3. Liberalise policy towards foreign capital and technology -

i) Relaxation in upper limit of foreign investment - Under 1991 policy, the maximum limit of foreign equity participation was raised to 51% in capital intensive and high technology industries

ii) Automatic permission for foreign technology agreement - The foreign technology for which permission could be automatically granted provided the agreement involve a lumpsum payment of upto Rs. 1 crore and royalty upto 5% on domestic sales and 8% on export

4. Changes in the MRTP act -

Under monopolies and restrictive trade practices at 1969 all big companies and large business houses were required to obtain clearance from MRTP commission for setting up any new industrial unit but policy of

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1991 abolished those provision of MRTP act. No prior approval or clearance from MRTP is now required for selling govt. industrial units.

(5) Greater support to small scale industries-

The new industrial policy seeks to provide greater govt. support to small scale industry so that they may grow rapidly under the environment of economic efficiency and technological upgradation.

(6) Other provision-

It also announce the setting up of a fund for called national renewal fund to provide social security to the workers and provide relief to those workers who have been rendered unemployed due to technological changes

Impact of

(1) Professional management :- People now understand that management has an entirely different provision that of enterpreneurship. Professional manager are formally trained in their disciplines.

(2) Rise and disinvestment of public sector :- Due to 1991 policy various public enterprises have been disinvested in the recent years.

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(3) Foreign investment -
Growing investment of foreign private investors including MNC's in Indian industry is another development.

(4) Technological advancement - ~~Here~~ There has been a transformation of organised industries in India also the industrial employment with higher skill content and white collared environment in the services has emerged.

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Impact of industrialisation on industrial labour-

i) Status of workers has improved-
- He enjoys a major of social security
ii) Stabilisation of work force -
A worker today far away urban in the taste and outlook than his previous predecessor.

iii) Healthy work environment -
In terms of space, light, drinking water etc workers now enjoy much better working environment.

iv) Composition of work force -
The ratio of white collar jobs has increased in the industry. Women workers take to the skilled and semi-skilled work in the modern industry.

v) Higher level of aspirations -
As the level of education and self consciousness has been increases among the workers they are keen about improvement in standards of their life.

3) Growth of trade unionism -
Industrial labour is better organised to protect and promote the economic and social interest of the workers

Factors that pushed people from rural areas to urban areas-

1) Increasing pressure of population on the land believed to non-availability employment opportunity in agriculture
2) Increasing number of landless agricultural labours
3) Ill treatment by high caste people
4) Exploitation by money lenders

Suggestions to deal with evil consequences of industrialisation-

i) Urban planning
ii) Housing
iii) Improvement in the factories
iv) Enforcement of labour laws
v) Promotion of rural industries
vi) Decentralisation
vii) Healthy environment

* Navratna companies of India -

Navratna status is offered to public sector enterprises which gives a company enhanced financial and operational autonomy and empowers it to invest upto Rs. 1000 crore or 15% of their ~~on~~ net work on a single project without seeking govt. approval

Maharatna, Miniratna

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The group of navratna companies include BHEL (Bharat heavy electrical limited), BPCL (Bharat petroleum corporation ~~pvt~~ limited), BEL (Bharat electronic limited), CIL (Coal India limited), HAL (Hindustan aeronautics limited), HPCL (Hindustan petroleum corporation limited), IOCL (Indian oil corporation limited) MTNL (Mahanagar telephone national limited) NACL (National aluminium company limited)

★ Industrial Policy statement 1973 —

The major highlights of this policy are —

i) **Classification of industries —**

Same as 1956

ii) **Redefinition of large business houses —**

The policy redefined the big business houses, the business houses having a fixed investment of Rs 20 crore or more were considered large so that the definition of large houses could be same for both ~~these~~ licensing purpose and under MRTP act. The earlier limit was Rs. 35 crore for the purpose of licensing.

iii) **Area of large business houses —**

Large business houses were eligible to participate in those industries which were not reserved for public sector and small scale sector.

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iv) **Small scale sector —**

The existing reservation for the small scale sector was continue the list of industries reserved for small scale sector could be expanded

v) **Joint sector —**

The policy stated that joint sector would be used as an instrument of promotion of economic development.

★ Reason for the decline of guilds —

i) There was no proper definition of rights and trade area of any guild.

ii) The rise of the merchant or middleman who played a negative role.

iii) Guilds didn't accept the new scientific and technological invention such as water power, coal and steam to the new machines.

iv) Discoveries opened a wide market for new material and finished goods. For ex. opening of commercial room to the east and discovery of america.

v) A religious factor also contributed its share to the decline of the guilds.

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vi) The rise of protestant religion of christianity spread individualism whereas the traditional society was based on the sense of cooperation

vii) The rise of the factory system which ultimately replaced guild system.

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