Change in Industrial Policy
&
its impact on industrial growth

Intro.

The industrial policy of a country shows the approach of the govt. towards industrial development.

It shows planned industrial development. Various confusions etc. in various schemes & programmes can be removed in the light of the industrial policy.

In India, the announcement of the industrial policy started in 1948, and, up to now, six industrial policies have been announced.

(1948, 1956, 1973, 1977, 1980 & 1991)

Out of all these policies, the industrial policy of 1991 shows a landmark change.

It emphasises the role of the private sector in the industrial development of the country and says that the role of the public-sector must be reduced.

Apart from the above, this policy talks about liberalisation to promote the private sector.

In the above respect, this policy is called the new industrial policy.

Some Important Feature of NIP

1. Abolition of Industrial Licencing

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Presently, industrial licensing is required only for the following areas -

(a) Industrial explosives
(b) Hazardous Chemicals
(c) Tobacco products like cigar etc.
(d) Defence, aero-space & electronics

(4)

The wine-licensing comes under the jurisdiction of the state govt.

2. Areas reserved for the govt. reduced.

Presently, the only following areas are reserved for the govt. -

(i) Atomic energy & minerals

(ii) Railway transport.

3. The PMP was removed for new companies

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Phased Manufacturing Programme

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Domestic companies were required to substitute domestic raw material in place of imported raw material in a phased manner.

4. The clause of $\boxed{\text{compulsory convertibility}}$ was removed.

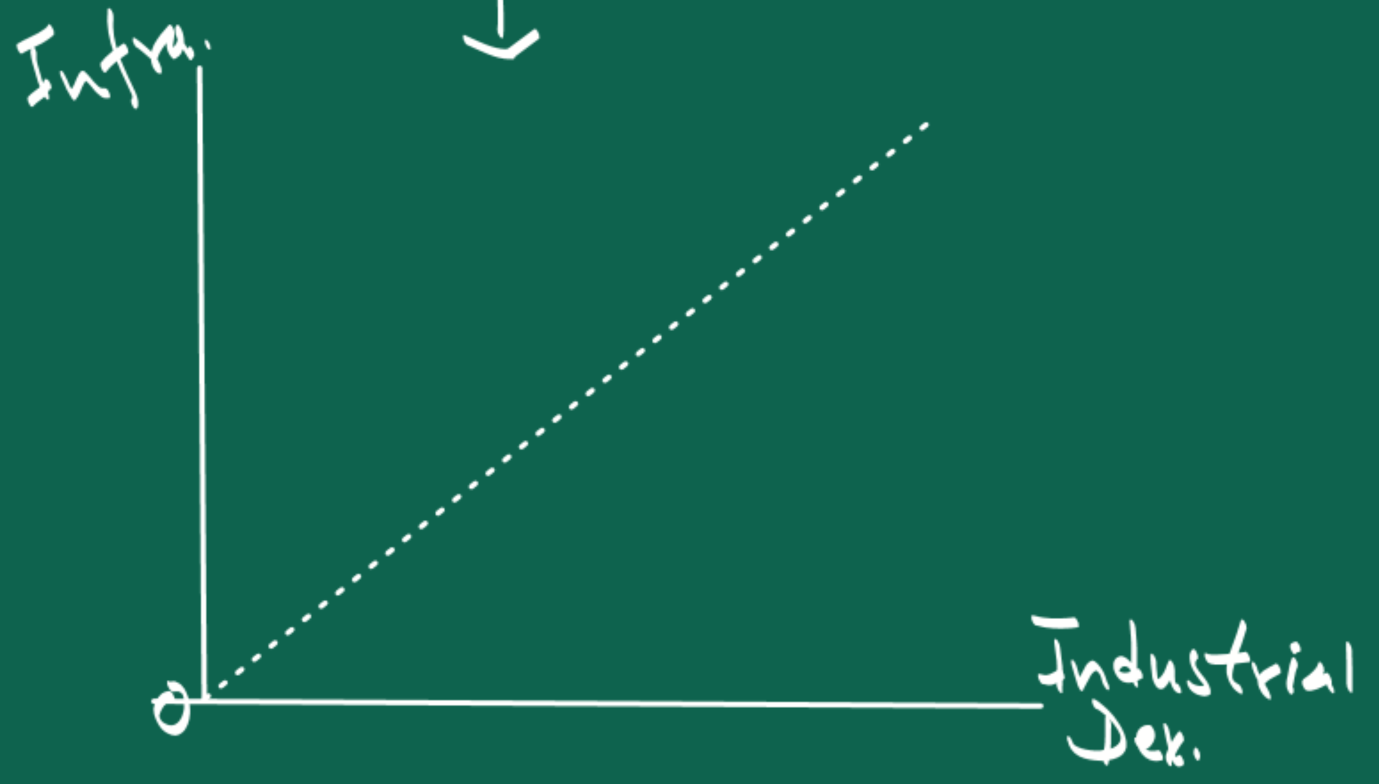
Outstanding loans used to be converted into equities, if the company was not able to pay to a Financial Inst.

5. Liberalisation of foreign investment & tech.

Impact on Industrial Growth

In the post-reform period, the industrial growth rate has not been impressive. The industrial growth rate remained lower than the GDP growth rate in the post-reform period. The following are the broad factors for such a dismal performance of the industrial growth rate -

(i) The lack of the world class infrastructure.



(ii) Complex labour laws

(iii) Complex business environ.

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The lack of EODB

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Ease of Doing Business

(iv) Slow adoption of new technology in India.

(v) Lower worker productivity

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$\frac{1}{3}$rd as compared to China in terms per worker value addition.

(vi) Challanges related to international trade.

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(a) Protectionist policies of the developed countries like the USA, E.U. countries etc.

(b) Cheaper imports from China & FTA countries.

Slowbalisation

Deglobalisation

(vii) <u>Less exp.</u> on R&D.

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0.7% (GDP)

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by private & public sectors.

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Research & Dev.

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Innovation

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↑ Market penetration

Thus, the industrial growth rate could not perform in expected manner due to a variety of reasons.

There is a need to work on the above factors. A suitable strategy should be made timely.

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