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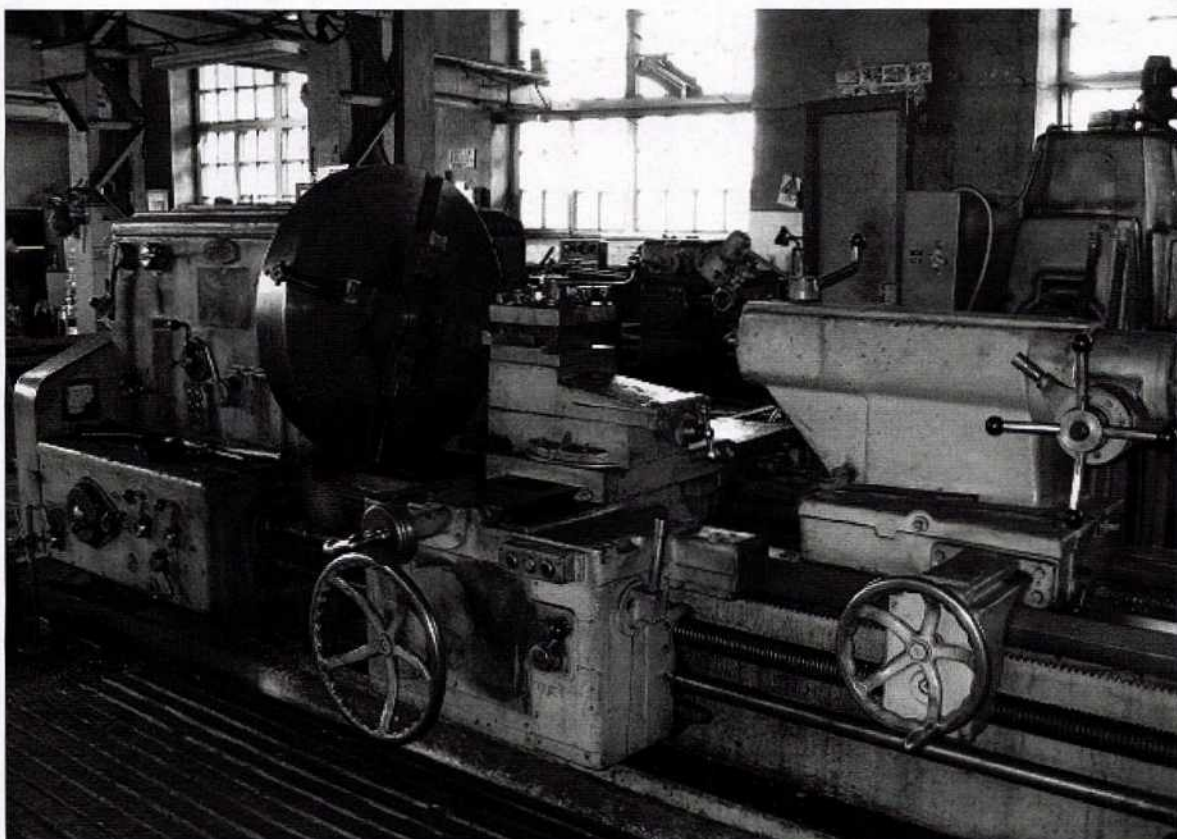
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The era of industrial policy statements



To accelerate industrial growth, a number of policy and procedural changes were introduced in 1985 and 1986.

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fter the initial industrial policy resolutions, the New Industrial Licensing Policy, 1970 divided industries into four categories and confined the role of large business houses and foreign companies to core, heavy and export-oriented sectors.

While the core sector composed of basic, strategic and critical industries, heavy investment sector comprised those in which investment exceeded Rs.5 crore. Whereas while middle investment sector included those in which investment was in the range of Rs.1-5 crore, the de-licensed sector were those wherein investment was less than Rs.1 crore and such industries were exempted from licencing requirements.



The Industrial Policy Statement, 1973

The Industrial Policy Statement, 1973 set the tone for the 5th Five-Year Plan. It stated that preference was to be given to small and medium enterprises for setting up new capacity and they along with co-operatives would be encouraged to produce mass consumption goods. The size of asset base for qualification as a large industrial house was reduced from Rs.35 crore to Rs.20 crore to effectively control the concentration of economic power. Simultaneously certain basic, critical and strategic industries were opened to Monopolies and Restrictive Trade Practices Act, 1969 (MRTP Act) companies and foreign concerns. Also subject to certain exception, undertakings with an investment of less than Rs.1 crore in land, building and machinery were exempted from licencing provisions for expanding an existing undertaking or setting up a new one.

The Industrial Policy Statement, 1977

A government with a different political ideology came to power in 1977. The Industrial Policy Statement, 1977 (IPS77) followed. It contained an indictment of the previous industrial policies—low growth of industrial output and per capita national income, increased unemployment, widening rural-urban disparities, failure to restrain the disproportionate growth of large houses, inadequate power availability and widespread incidence of industrial sickness.

The main thrust of IPS77 was on 'effective promotion of cottage and small industries'. The number of items exclusively reserved for production in the small-scale sector was increased from 180 to 500. Within this sector, a tiny sector was carved out which was eligible for margin money assistance. District industry centres were set up in each district to provide under a single roof 'all the services and support required by small and village industries'. Measures for 'effective financial support' and marketing support to the small-scale sector via purchase preference and reservation for exclusive purchase by the government and public sector units were outlined.

IPS77 also stressed the importance of development and application of appropriate technologies, development of indigenous technologies and outright purchase and adaption of foreign technologies, where Indian technology was not available.

The areas for large-scale industry were specified. The MRTP Act and licencing provisions would be the main instruments to regulate the activities of large houses which would have to henceforth depend on their internally generated resources to finance new or expansion of projects.

An intent to liberalise imports was stated, while asserting that 'self-reliance must continue to be a paramount objective of the country's industrial and economic policy'. Incentives for export of manufactures and some relaxation in compulsory export obligations were also announced.

The other pronouncements were with regards to expanding the role of the public sector, dispersal of industries, basis of pricing of products subject to price control, workers' participation, measures to deal with industrial sickness and removal of irritants in industrial approval procedures. Assistance for shifting large industries from existing metropolitan areas to approved locations in backward areas and denial of licences and financial assistance to industries proposed to be set up within certain limits of urban agglomerations whose population was more than 500,000, as per the Census of 1971, were stated.

The Industrial Policy Statement, 1980

Within 33 months, the Congress party was back in power. It was time to restate priorities. The Industrial Policy Statement, 1980 outlined its policy on industrial development with Industrial Policy Resolution, 1956 once again as its philosophical basis. Socioeconomic objectives such as maximising production, higher employment generation, correction of regional imbalances, promotion of economic federalism, promotion of export-oriented and import substitution industries, consumer protection and strengthening of agriculture base were enumerated.

While blaming the previous governments for choking industrial growth, it set its first task to revive the economic infrastructure, followed by rehabilitating faith in the public sector and promoting the concept of economic federalism through setting up of nucleus plants.

Development of the private sector 'in consonance with targets and objectives of national plans and policies', measures for rapid growth of small-scale industries, easing licencing procedures and locational policy to maximise production, productivity increase through induction of

advanced technology, transfer of technology and modernisation packages, incentivising adoption of technologies for optimal utilization of energy, use of alternative sources of energy and measures to control pollution, streamlining licencing procedures and dealing with industrial sickness were some of the other priority areas identified for action.

To accelerate industrial growth, a number of policy and procedural changes were introduced in 1985 and 1986. In 1989, setting up of 71 growth centres with basic infrastructural facilities were touted as the way forward. These efforts met with limited success. None of these measures could stall the onset of the foreign exchange crisis which descended on the country during 1989-1991.

The absence of a structural transformation in the form of increased contribution of manufacturing to gross domestic product, as first envisaged in the Bombay Action Plan, was a significant contributing factor to this unprecedented financial crisis. A surgical operation was required, since the idea of industrial licencing on large scale was inherently flawed and in practice had impeded, rather than accelerated, the country's industrial development.

This is the second column of a three-part commentary on India's industrialisation since Independence.

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