



# India's Industrial Policy

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## Meaning

- ❑ Procedures, principles, policies, rules and regulations, incentives and punishments, the tariff policy, the labour policy, government's attitude towards foreign capital, etc. to influence the ownership & structure of the industry and its performance.

## Objectives

- ❑ To maintain a sustained growth in productivity.
- ❑ To enhance gainful employment.
- ❑ To achieve optimal utilisation of human resources.
- ❑ To attain international competitiveness.
- ❑ To transform India into a major partner and player in the global arena.

## Industrial Policy in India (1947-1991)

- ❑ **Industrial Policy Resolution of 1948** - Mixed Economic model, four types of industries- Strategic Industries (Public Sector), Basic / Key Industries (Public-cum-Private Sector), Important Industries (Controlled Private Sector), Other Industries (Private and Cooperative Sector).
- ❑ **Industrial Policy Statement of 1956** - "Economic Constitution of India" or "The Bible of State Capitalism"; 3 categories of industries - Schedule A (Public Sector), Schedule B (Public-cum-Private sector), Schedule C (Private sector).
  - **Industrial Licences** In order to open new industry or to expand production, obtaining a license from the government was a prerequisite.
- ❑ **Industrial Policy Statement, 1977** - promotion of cottage and small industries; encouraged the worker's participation in management.
- ❑ **Industrial Policy of 1980** - promoted the concept of economic federation.

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## New Industrial Policy During

### Economic Reforms of 1991

- ❑ Announced in 1991 in the midst of severe economic instability in the country.
- ❑ **Objective:** to raise efficiency and accelerate economic growth.
- ❑ **Features:**
  - De-reservation of Public sector.
  - De-licensing.
  - Disinvestment of Public Sector.
  - Liberalisation of Foreign Investment.
  - Foreign Technology Agreement.
  - MRTP Act was amended to remove the threshold limits of assets.
- ❑ **Outcomes:**
  - Removed 'Licence, Permit and Quota Raj'.
  - Liberalise the economy by removing bureaucratic hurdles in industrial growth.
  - Increased competition due to arrival of more MNCs.
  - Technology transfer and Foreign investment.
  - Benefitted the export sector of the country.
  - Faster growth of Service sector led by the IT industry.

### Limitations of Industrial Policies in India

- ❑ Stagnation of Manufacturing Sector.
- ❑ Distortions in industrial pattern owing to selective inflow of investments.
- ❑ Displacement of labour.
- ❑ Absence of incentives for raising efficiency.
- ❑ 'Consumption-led growth' rather than 'investment' or 'export-led growth'.
- ❑ Vaguely defined industrial location policy.

### Way Forward

- ❑ Much liberalised industrial policy regime focusing on increased foreign investment and lesser regulations.
- ❑ Efforts towards Ease of doing business.
- ❑ Promote Make in India; Start-Up India.
- ❑ **A new Industrial Policy** to boost Manufacturing sector in the country is the need of the hour.



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