

## UNIT-IV

Industrial Policies: Pre and Post Liberalization Policies–New Industrial Policy–Economic Reforms–Industrial Disputes.

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# INDUSTRIAL POLICY OF INDIA

## INDUSTRIAL POLICY

- **It covers rules, regulations, principles, policies, & procedures laid down by government for regulating & controlling industrial undertakings in the country.**
- **It prescribes the respective roles of the public, private, joint, cooperative large, medium & small scale sectors for the development of industries.**

## INDUSTRIAL POLICY CONTD...

- **It incorporates fiscal & monetary policies, tariff policy, labor policy.**
- **It shows the government attitude not only towards external assistance but also toward public & private sectors.**

## MAIN OBJECTIVES

- **To maintain a sustained growth in productivity**
- **To enhance gainful employment**
- **To prevent undue concentration of economic power**
- **To achieve optimal utilization of human resources**
- **To attain international competitiveness and**
- **To transform India into a major partner and player in the global arena**

# INDUSTRIAL POLICIES

- **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**
- **The New Industrial Policy of 1991**

1948

(6 APRIL, 1948)

**The Resolution emphasized at the following;**

- 1. The importance to the economy of securing a continuous increase in production.**
- 2. Its equitable distribution.**
- 3. State must play progressively active role in the development of Industries.**

- 4. It laid down that besides arms and ammunition, atomic energy and railway transport, which would be the monopoly of the Central Government, the State would be exclusively responsible for the establishment of new undertakings in six basic industries-except where, in the national interest, the State itself found it necessary to secure the cooperation of private enterprise.**
- 5. The rest of the industrial field was left open to private enterprise though it was made clear that the State would also progressively participate in this field.**

# INDUSTRIAL POLICY RESOLUTION, (30TH APRIL, 1956)

1. Improving living standards and working conditions for the mass of the people.
2. To reduce disparities in income and wealth.
3. To prevent private monopolies and concentration of economic power in different fields in the hands of small numbers of individuals.

- 4. The State will progressively assume a predominant and direct responsibility for setting up new industrial undertakings and for developing transport facilities.**
- 5. At the same time private sector will have the opportunity to develop and expand.**
- 6. The principle of cooperation should be applied whenever possible and a steadily increasing proportion of the activities of the private sector developed along cooperative lines.**
- 7. The adoption of the socialist pattern of society as the national objective.**
- 8. The need for planned and rapid development.**

10. All industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector.
11. It is always open to the State to undertake any type of industrial production.
12. Categorization of industries;
  - i) In the first category will be industries the future development of which will be the exclusive responsibility of the State.

ii) The second category will consist of industries which will be progressively state-owned and in which the State will, therefore, generally take the initiative in establishing new undertakings, but in which private enterprise will also be expected to supplement the efforts of the State.

iii) The third category will include all the remaining industries, and their future development will, in general, be left to the initiative and enterprise of the private sector.

13. The Government of India would stress the role of cottage and village and small scale industries in the development of the national economy.
14. Disparities in levels of development between different regions should be progressively reduced.

# INDUSTRIAL POLICY FEBRUARY 2, 1973

- 1. The Industrial Policy Resolution of 1956 still remained valid, but certain structural distortions had crept in the system.**
- 2. The new policies were hence directed towards removing these distortions.**
- 3. It provided for a closer interaction between the agricultural and industrial sectors.**

- 4. Accorded the highest priority to the generation and transmission of power.**
- 5. An exhaustive analysis of industrial products was made to identify products which are capable of being produced in the small scale sector.**
- 6. The list of industries exclusively reserved for the small scale sector was expanded from 180 items to more than 500 items.**
- 7. Within the small scale sector, a tiny sector was also defined with investment in machinery and equipment up to Rs.1 lakh and situated in towns with a population of less than 50,000 according to 1971 census figures, and in villages.**

9. It was also decided that compulsory export obligations, merely for ensuring the foreign exchange balance of the project, would no longer be insisted upon while approving new industrial capacity.
10. In the areas of price control of agricultural and industrial products, the prices would be regulated to ensure an adequate return to the investor.

## INDUSTRIAL POLICY DECEMBER 23, 1977

- 1. Industrial Policy Highlights on producing inputs needed by a large number of smaller units and making adequate marketing arrangements.**
- 2. To boost the development of small scale industries, the investment limit in the case of tiny units was enhanced to Rs.2 lakh, of a small scale units to Rs.20 lakh and of ancillaries to Rs.25 lakh**

- 3. A scheme for building buffer stocks of essential raw materials for the Small Scale Industries was introduced for operation through the Small Industries Development Corporations in the States and the National Small Industries Corporation in the Center.**
- 4. Industrial processes and technologies aimed at optimum utilization of energy or the exploitation of alternative sources of energy would be given special assistance, including finance on concessional terms.**

# THE INDUSTRIAL POLICY STATEMENT OF JULY 1980,

**It was based on the Industrial Policy Resolution of 1956**

- (i) Optimum utilization of installed capacity;**
- (ii) Maximum production and achieving higher productivity;**
- (iii) Higher employment generation;**
- (iv) Correction of regional imbalances;**
- (v) Strengthening of the agricultural base through agro based industries and promotion of optimum inter-sectoral relationship;**
- (vi) Promotion of export-oriented industries;**

- (vii) Promotion of economic federalism through equitable spread of investment and dispersal of returns;**
- (viii) Consumer protection against high prices and bad quality.**

## **INDUSTRIAL POLICY, JULY 24, 1991.**

- 1. Government is pledged to launching a reinvigorated struggle for social and economic justice, to end poverty and unemployment and to build a modern, democratic, socialist, prosperous and forward-looking India.**
- 2. Such a society can be built if India grows as part of the world economy and not in isolation.**

- 3. While Government will continue to follow the policy of self-reliance, there would be greater emphasis placed on building up our ability to pay for imports through our own foreign exchange earnings.**
- 4. Government is also committed to development and utilization of indigenous capabilities in technology and manufacturing as well as its up gradation to world standards.**

- 5. Government will continue to pursue a sound policy framework encompassing encouragement of entrepreneurship, development of indigenous technology through investment in research and development, bringing in new technology, dismantling of the regulatory system, development of the capital markets and increasing competitiveness for the benefit of the common man.**
- 6. The spread of industrialization to backward areas of the country will be actively promoted through appropriate incentives, institutions and infrastructure investments.**
- 7. Government will provide enhanced support to the small-scale sector so that it flourishes in an environment of economic efficiency and continuous technological up gradation.**

- 8. Foreign investment and technology collaboration will be welcomed to obtain higher technology, to increase exports and to expand the production base.**
- 9. Government will endeavor to abolish the monopoly of any sector or any individual enterprise in any field of manufacture, except on strategic or military considerations and open all manufacturing activity to competition.**
- 10. The Government will ensure that the public sector plays its rightful role in the evolving socioeconomic scenario of the country. Government will ensure that the public sector is run on business lines as envisaged in the Industrial Policy Resolution of 1956 and would continue to innovate and lead in strategic areas of national importance.**

- 11. Government will fully protect the interests of labour, enhance their welfare and equip them in all respects to deal with the inevitability of technological change.**
- 12. Labour will be made an equal partner in progress and prosperity.**
- 13. Workers' participation in management will be promoted.**
- 14. Workers cooperatives will be encouraged to participate in packages designed to turn around sick companies.**
- 15. The major objectives of the new industrial policy package will be to build on the gains already made, correct the distortions or weaknesses that may have crept in, maintain a sustained growth in productivity and gainful employment and attain international competitiveness.**

16. need to preserve the environment and ensure the efficient use of available resources.
17. Government's policy will be continuity with change.
18. In pursuit of the above objectives, Government have decided to take a series of initiatives in respect of the policies relating to the following areas.

**A. Industrial Licensing.**

**B. Foreign Investment.**

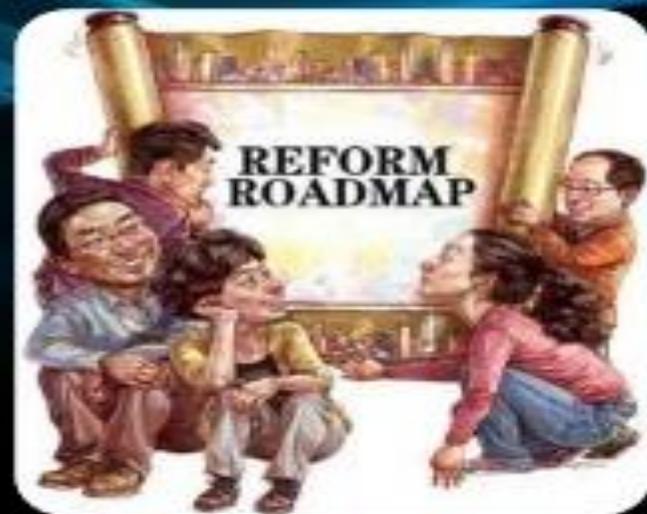
**C. Foreign Technology Agreements.**

**D. Public Sector Policy.**

**E. MRTP Act.**

# Meaning of Economic Reforms

"**Economic reform**" usually refers to deregulation, or at times to reduction in the size of government, to remove distortions caused by regulations or the presence of government, rather than new or increased regulations or government programs to reduce distortions caused by market failure.



## FOOD CRISIS



# Need of Economic Reforms In India

- Increase in Fiscal Deficit
- Increase in adverse balance of Payment
- Gulf Crisis
- Fall in foreign Exchange Reserve
- Rise in Prices
- Poor Performance of Public Sector



# Role Of Manmohan Singh

In 1991, when Mr.Singh became the finance minister, India was on the brink of bankruptcy. By 1994, when he presented his historic budget, the economy was well on its way to recovery.

Mr.Singh , unshackled the country from the bureaucratic controls and license-permit raj, and took the economy to a high growth path of 6-7 per cent during his five-year stint at North Block.

Nearly 1 crore (10 million) new jobs were created, an environment of liberalisation was set in motion and the foundation of an information technology and telecom revolution was laid.

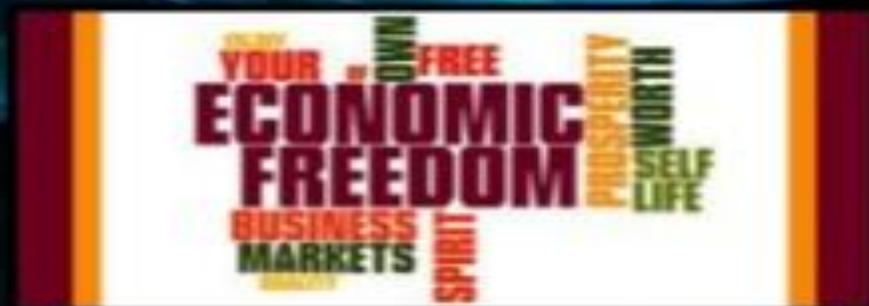


**“No power on earth can stop an idea whose time has come.”**

# Main Features Of Economic Reforms



# LIBERALISATION



- Simply speaking liberalisation means to free to economy from the controls imposed by the Govt. Before 1991, Govt. had put many types of controls on Indian economy.

**These were as follows:**

- (a) Industrial Licensing System
- (b) Foreign exchange control
- (c) Price control on goods
- (d) Import License



# Steps taken for Liberalization

- (i) Independent determination of interest rate
- (ii) Increase in the investment limit of the Small Scale Industries
- (iii) Freedom to import capital goods
- (iv) Freedom to import Technical know-how
- (v) Freedom for expansion and production to Industries
- (vi) Freedom from Monopolies Act
- (vii) Removal of Industrial Licensing and Registration



The free economy is not the enemy but the friend of social capital.

(Ted Malloch)



# PRIVATISATION



- Simply speaking, privatisation means permitting the private sector to set up industries which were previously reserved for the public sector. Under this policy many PSU's were sold to private sector.
- The main reason for privatisation was in currency of PSU's are running in losses due to political interference. The managers cannot work independently. Production capacity remained under-utilized. To increase competition and efficiency need of privatisation was felt.

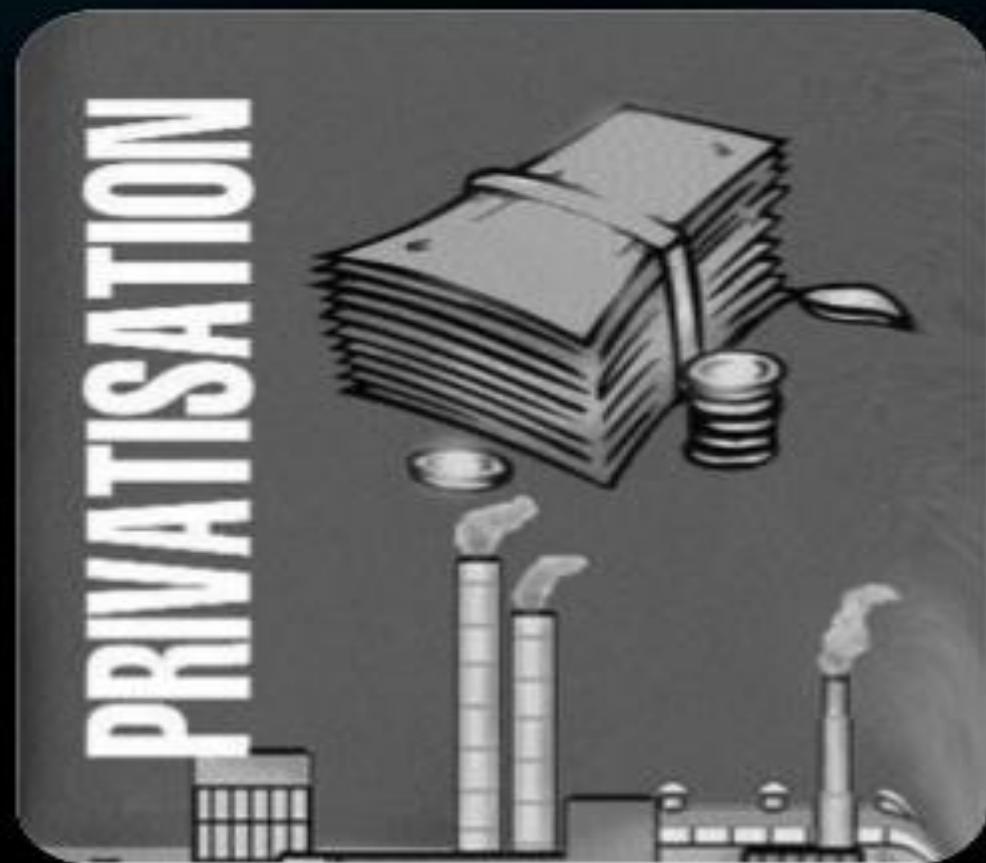


# Steps taken for Privatisation

1. Sale of shares
2. Disinvestment in PSU's
3. Minimization of Public Sector

Number of industries reserved for public sector was reduced from 17 to 4.

- (a) Transport and railway
- (b) Mining of atomic minerals
- (c) Atomic energy
- (d) Defense equipment





# GLOBALIZATION



Globalisation means the establishment of relations of the economy with world economy in regard to foreign investment, trade, production and financial matters.

Globalisation may be defined as integrating the economy of a country with the economies of other countries under conditions of free-flow of trade and capital and movement of persons across the borders. Capital and technology will flow from the developed countries of the world towards India.

# Steps taken for Globalisation

- (i) Reduction in tariffs
- (ii) Long term Trade Policy
- (iii) Partial Convertibility
- (iv) Increase in Equity Limit of Foreign Investment



It has been said that  
arguing against  
**GLOBALIZATION**  
is like  
arguing against  
**THE LAWS OF GRAVITY**



# Types of Economic Reforms

1. Structural Reforms Initiatives

2. Fiscal Reforms

3. Infrastructure Reforms

4. Capital and Money Market Reforms



# Achievements of Economic Reforms in India

1. Increase in National Product
2. Foreign Investment
3. Agricultural Production
4. Foreign Currency Reserves
5. Fiscal Deficit
6. Imports
7. Deregulation of Interest Rate
8. Control of Inflation





1% RICH  
99% POOR

## Negative Effect of Reforms

- National sovereignty at stake leads to commercial and Political Colonialism
- Transfers of natural resources
- Widening gap between rich and poor
- Decline demand for domestic products
- Fail to obey the labor laws
- Social inequality
- Farmer's suicide **7 farmers end life in 48 hours**
- Kills the domestic business





# INDUSTRIAL DISPUTE

- ◆ Any dispute or difference between
  - a) Employers and Employers
  - b) Employers and Workmen
  - c) Workmen and Workman
- ◆ Disputes may be connected with Employment/Non employment
  - a) Terms of employment
  - b) Conditions of labour

[demand has to be made by workmen]



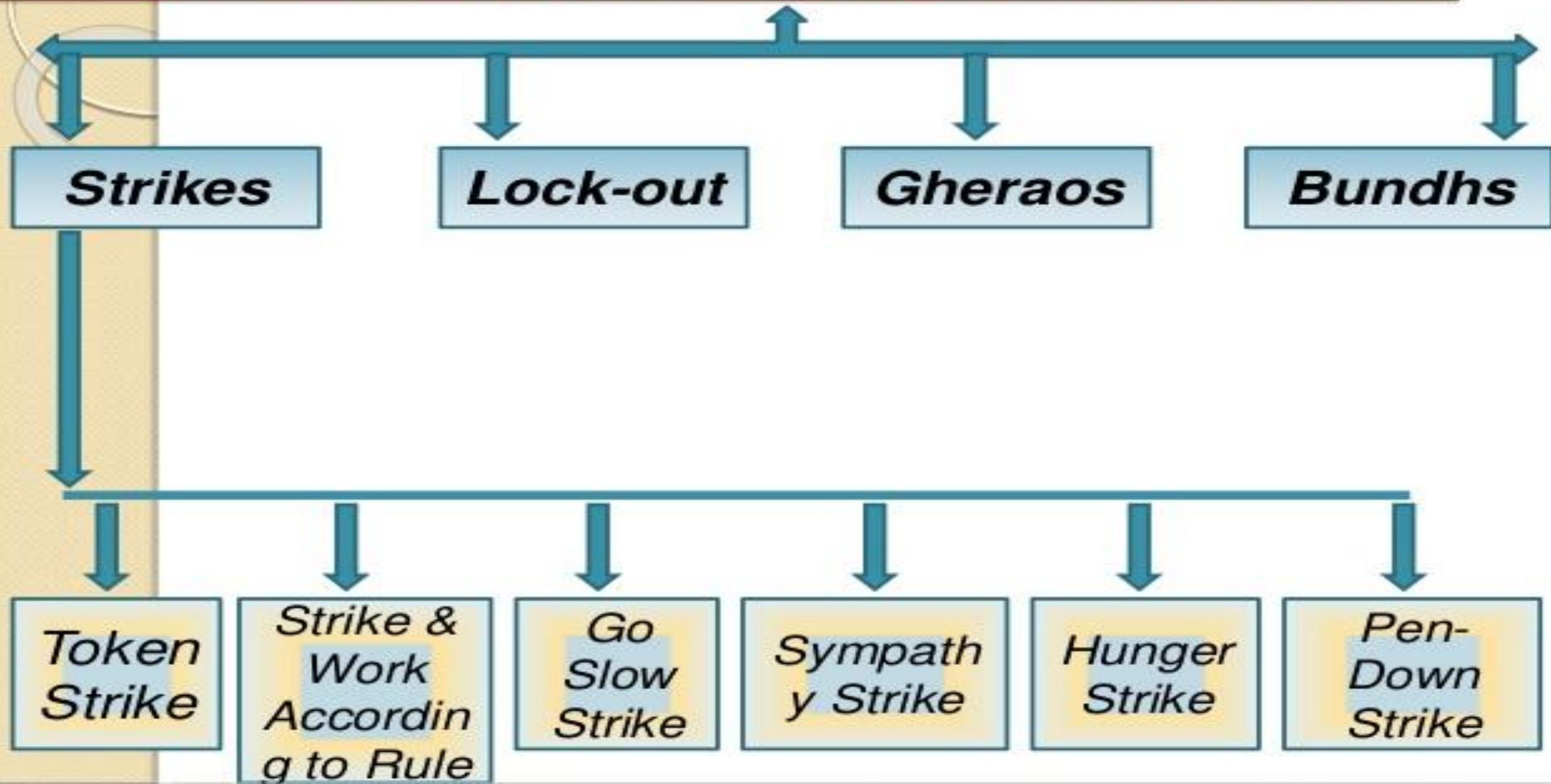
# Definitions

- ◆ **Industrial Dispute (Sec. 21K)**

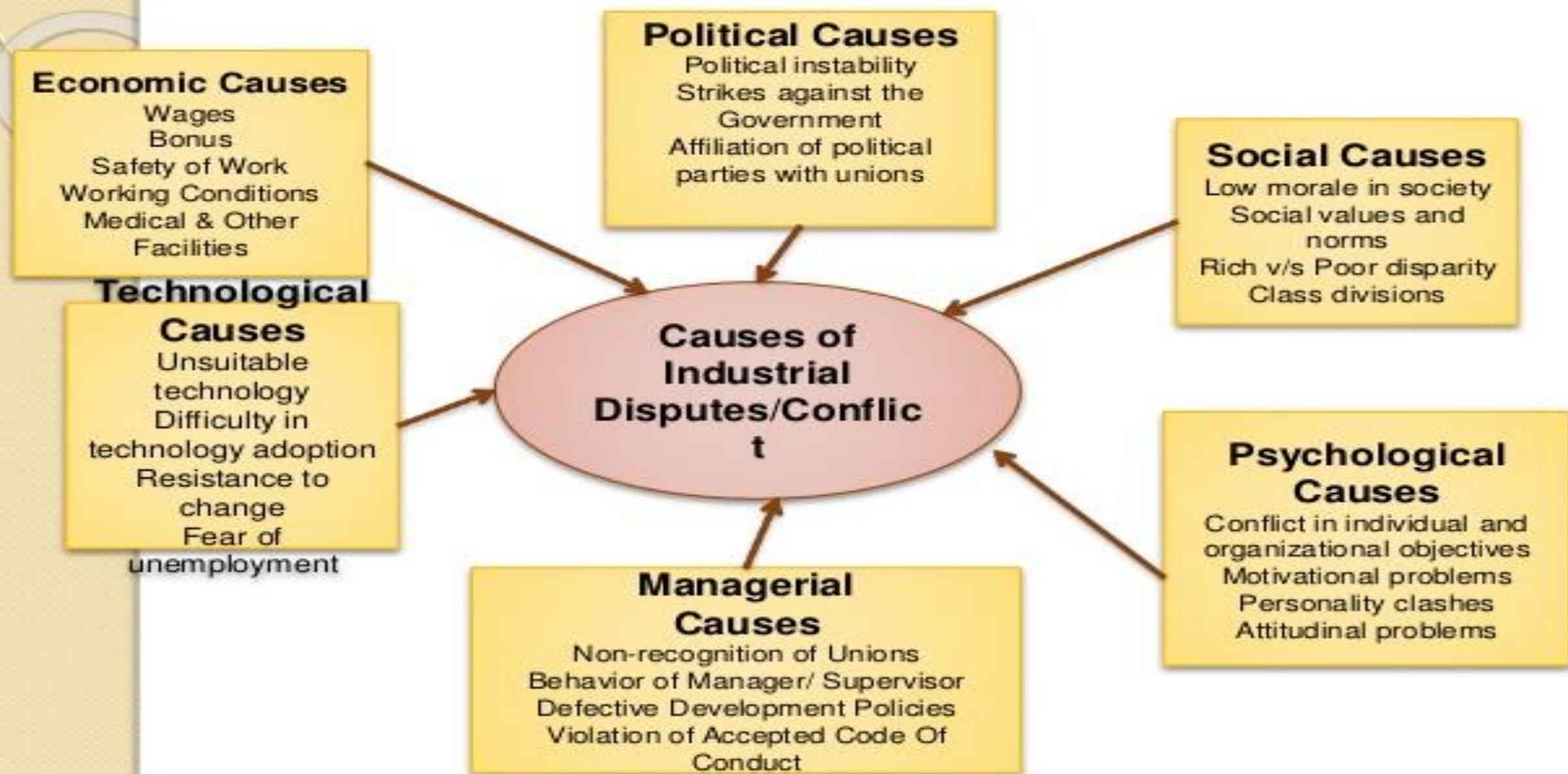
Any dispute or difference between employers and employees, employers and workmen, or between workmen and workmen which is connected with the employment or non employment or terms of employment or with conditions of labour of any person.

--- INDUSTRIAL DISPUTES ACT 1947

# FORMS OF INDUSTRIAL DISPUTES



# Causes of Industrial Disputes



# Effects of Industrial Disputes

## Negative Effects

## Positive Effects

### Effects on Workers

1. Loss of Wages
2. Physical loss or death during struggle.
3. Exploitation by Employers
4. Pressure by Employers after strike
5. Economic Loss
6. Bitterness in Relations
7. Bad affect on Career

### Effects on Employers

1. Fall in Production
2. Fall in Profit
3. Bad affect on Organisation
4. Bad affect on Human Relations
5. Damage's of Machines and Equipments
6. Adverse affect on development
7. Loss of Fixed expenses

### Effects on Government

1. Loss of Revenue
2. Fall in Production rate
3. Disturbance of System in Society
4. Blames from various Parties.

### Effects on Consumers

1. Increase in Prices
2. Scarcity of goods
3. Adverse affect on quality of goods

### Other Effects

1. Loss in Foreign Trade
2. Hindrance to Economic Development of country
3. Lawlessness in Society
4. Uncertainty in Economy

Unity among Workers

Good Wages

Good Working conditions

Enforcement of Labour Laws

Improvement in Industrialist's Behaviour

Recognition to Labour Unions

# PREVENTIVE MEASURES OF INDUSTRIAL DISPUTES

labour  
Welfare  
Officer

Tripartite  
and  
Bipartite  
Bodies

Standin  
g  
Orders

Grievance  
Procedure

Collective  
Bargainin  
g

Strong  
Trade  
Unions

labour Co-  
Partnership and  
Profit sharing

Joint  
Consultations