



Reforms in industrial policy during 1992 to 1997

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Abstract

As regards the industrial policy of India, it is observed the new world war, the country can achieve and retain its economic independence only through its indigenous economic strength. This can be derived from the inherent ability of Indian Industry to meet international competition on its own terms, namely, quality, price and services. State control and intervention in the trade, commerce and other economic activities needs to be drastically reduced to improve the efficiency and productivity of Indian Economy. In select cases, independent regulatory bodies may be entrusted with the task of orderly development of such industries. The industry has grown at the rate of 9% to 10% during the last 2 years. It is now facing serious financial problems to maintain its growth and competitiveness due to dormant capital market on the hand and high interest rate and difficulties in getting adequate funds.

The economic reform is to bring about rapid and sustained improvement in the quality of life of the people of India. Central to this goal is the rapid growth in incomes and productive employment. Hundreds of millions of our people are still trapped in object poverty. The only durable solution to the course of poverty is the sustainable growth and development.

Such growth requires investment is famous in roads in irrigation, in industry, in power and above all in people and his investment must be productive, successful and sustained development depends on continuing increases in the productivity of our capital our land and labour.

Keywords: industrial policy, economic, economic reform

Introduction

Indian started pursuing the Path of Planned economic development in the early fifties. Since more than five decade have passed and there have been substantial changes and development in India's Industrial Policy. We would study Indian's Industrial Policy is depended upon India's economic policy. The India's economic policies in terms of: i. Trade Policy, ii. Technology Policy and iii. Industrial Policy.

Trade Policy

Trade policy of any country which has trade relations with other countries constitutes both 'IMPORT POLICY' and 'EXPORT POLICY'. While the former tries to reduce the expenditure on imports, the latter aims at increasing the export earnings, so that the balance of payment problem (BoP). If any, can be solved ^[1].

The trade policy of India in the immediate post-independence period was liberal and was to meet the demand released in the aftermath of the Second World War. However, this import policy soon resulted in a heavy deficit imbalance of trade and government had to impose restrictions on imports from hard currency areas. The trade policies were modified from time to time which India moved from one plan period to the other plan.

Technology Policy

The corner stone of technology policy is said to be the technological self-reliance. This does not mean self-sufficiency. Rather, it seems to imply that while import of

latest technology will be permitted there will be compulsion to absorb and adapt technology so that the need for imported materials, equipment and technical services does not extend beyond a limited period.

Appropriateness of the imported technology has been stressed on the premise that foreign technologies unless suitable adapted are not appropriate for our factor endowments - abundance of labour and scarcity of capital. A technology package consists of products or process know-how, equipment, materials and technical personnel.

In India substantial amount of effort has been expended in bolstering the domestic research and development activity in academic institutions and government research laboratories. While considerable success has been achieved in some areas like agricultural research, performs in industrial technology development has not been upto the marked.

The Industrial Policy

The industrial policy in India has come a long way from exclusive government and state control in 1948, to large-scale delicensing in many areas, as announced in the new industrial policy, 1991. The industrial policy of a country is probably the most important official source of information to understand the nature of the relationship between Government and industry.

The industrial policies in the past were based on the Nehruvian model of economy, which was socialistic in its approach, thus laying more emphasis on the development of the public sector. These developments have been given below

in the following phases:

- (a) The industrial policy resolution of 1948 laid emphasis on a mixed economy reserving some areas for the public sector and other for the private sector.
- (b) The completion of the First Five year plan and the adoption of a socialistic pattern of society led to the need for a fresh industrial policy. The 1948 resolution was replaced by a new industrial policy resolution in April, 1956.

Reforms in industrial policy

The new Government of India, responsible for economic reforms took office in June 1991, at a time when the country was in the midst of unprecedented economic crisis and socio-political turmoil. For the first time in its history, India was faced with the prospect of defaulting on its international commitments. The access to external commercial credit markets was completely denied; international credit ratings had been downgraded and the international financial community's confidence in India was getting lost. India's ability to manage its economy thus was being had been severely eroded. We could only borrow against the security of our gold reserves by physically transporting and the gold abroad. The economy suffered from serious inflationary pressures, emerging scarcities of essential commodities and breakdown of fiscal discipline. We were on to very verge of a calamitous economic destruction and peril.

The government took immediate and swift action to restore international confidence in the economy and redress the imbalances which has emerged both in external and domestic financial conditions. A programme of macro economic stabilization was initiated with the first budget which was presented within a month of the Government coming into office. The budget brought down the level of the fiscal deficit and a longer term policy of reducing the fiscal deficit as percentage of GDP in subsequent years was announced. The rate of growth of money supply was checked. The exchange rate of the Rupee was adjusted downwards to a level which could be sustained in the light of the country's balance of payment situation and the state of the domestic economy. Exceptional financing was mobilized both from multilateral and bilateral sources to relieve the pressure of immediate debt servicing on the Balance of Payments and to build up foreign exchange reserves.

The result of these macro-economic crisis management measures soon before fruit. The annual rate of inflation, which had peaked at nearly 17 percent in August 1991 came down steadily to 7 percent by the end of 1992-93. Of particular interest is the parallel decline in the inflation rate for the Consumer Price Index. Foreign current reserves, which had fallen to just above \$1 billion recovered swiftly and stood at above over \$6.4 billion at the end of 1992-93. Overall economic growth, which had dipped to 1.2 percent in 1991-92, recovered to about 4 percent in 1992-93. Industrial growth showed significant recovery in the first eight month of 1992-93, registering growth of about 4 percent over the corresponding period of 1991-92. However, performance over the next few months deteriorated, mainly because of disturbance in the wake of the Ayodhya incident.

These favourable macro-economic outcomes were a product

of both the emergency economic stabilization measures undertaken by Government and the initiation of a medium-term strategy for consolidation of hard won macro-economic stability and undertaking long overdue structural reforms in the foreign trade and payments regime, the tax system, industrial policy and financial and other sectors.

Experience has shown that these controls which might have served a purpose in the initial years of development, had over time became inefficient and dysfunctional. They led to protracted delays in decision-making and frequently led to inefficient choices of scale, location and technology. Very often the system served only to protect established producers from competition by new entrants, thus encouraging inefficiency and high cost. With the growing maturity of our industrial sector and especially the need to become internationally competitive, it was necessary to restructure the system to eliminate bureaucratic control and allow greater role to be played by independent play to entrepreneurial decision making, systems subject to the normal disciplines of market competition. Accordingly, the Government took a number of steps to dismantle the outdated control structure ^[2].

Acting on the following lines

- (a) Industrial licensing abolished for all except a select list of hazardous and environmentally sensitive industries.
- (b) The separate permission needed by MRTP houses for investment and expansion abolished.
- (c) The list of industries reserved for the public sector reduced from 17 to 6. In addition, private sector participation allowed even in industries in the reserved list.
- (d) Access to foreign technology made much freer.

These changes have introduced a much more competitive environment in Indian industry in which entrepreneurs are free to invest, expand and modernize in response to market condition ^[3].

A priority area of economic reform was industrial policy. Over the years, our industrial policy framework had come to be characterized by extensive bureaucratic control over choices which would ideally be left to entrepreneurial decision making. Licenses were needed to establish new units as well as to undertake substantial expansion in capacity in almost all sectors. The larger houses (MRTP houses) needed separate permission to invest or expand; this was aimed at regulating the concentration of economic power. A substantial are of industrial activity, including several critical infrastructure sectors, was reserved for the public sector, making it impossible for the private sector to contribute in key areas. Access to foreign technology by domestic entrepreneurs also required government permission ^[2].

Conclusion

India started perusing the path of economy in the early fifties since more than five decade have passed and there have been substantial changes and development in India's business policy. The Indian economic Policies in terms of trade policy, technology policy and industrial policy.

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delicensing in many areas as announced in the New Industrial Policy, 1991. The Industrial Policy of a country is probably the most important official source of information to understand the nature of the relationship between Government and industry ^[5].

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The Industry has grown at the rate of 9% to 10% during the last 2 years. It is now facing serious financial problems to maintain its growth and competitiveness, due to dormant capital market on one hand and highly interest rate and difficulties in getting adequate funds ^[6].

In this discussion has been presented above on the industrial policy reforms of India the policy and prospective over all development have been thoroughly looked into and analysed ^[7].
⁸⁾ experienced has shown that these comments which might have served a purpose in the initial year of development, had over time become efficient and this functional.

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