Industry

1. India started her quest for industrial development after independence in 1947.

2. The Industrial Policy Resolution of 1948 marked the beginning of the evolution of the Indian Industrial Policy.

3. In the Industrial Policy of 1948, the importance of both public sector and private sector was accepted. However, the responsibility of development of basic industries was handed over to Public Sector.

4. The Industrial Policy Resolution of 1956 gave the public sector strategic role in the economy

5. Earmarking the pre-eminent position of the public sector, it envisaged private sector co-existing with the state and thus attempted to give the policy framework flexibility.

6. The main objective of the Industrial Policy of 1956 was to develop public sector, co-operative sector and control on private monopoly.

7. There were four categories of industries in the Industrial Policy of 1948 which was reduced to three in the Industrial Policy of 1956.

8. In 1973, Joint Sector was constituted on the recomendations of Dutta Committee.

9. The Industrial Policy of 1980 was influenced by the concept of federalism and the policy of giving concession to agriculture based industries was implemented through it.

10. Various liberlised steps to be taken were declared at comprehensive level, in the Industrial Policy declared on 24th July, 1991.

11. Privatisation and liberlisation are the main thrust areas in the New Industrial Policy.

New Industrial Policy, 1991

This new policy deregulates the industrial economy in a substantial manner. The Major Features of NIP, 1991 are :

1. Abolition of industrial licensing : In a major move to liberalise the economy, the new indsutrial policy abolished all industrial licensing, irrespective of the level of investment, except for certain industries related to security and strategic concerns, social reasons, concerns related to safety and over-riding environmental issues, manufacture of products of hazardous nature and articles of elitist consumption.

2. Entry of foreign investment and technology made easier : For the promotion of exports of Indian products in world markets, the government would encourage foreign trading companies to assist Indian exporters in export activities. Approval would be given for direct foreign investment up to 51% foreign equity in high priority industries.

3. Public sector's role diluted : The new industrial policy has removed all these (the number of industries reserved for the public sector since 1956 was 17) industries from the Reserved List. Industries that continue to be reserved for the public sector are in areas where security and strategic concerns predominate. These areas are (i) arms and ammunition and allied items of defence equipment, defence aircraft and warships, (ii) atomic energy, (iii) mineral oils and minerals specified in the schedule to the atomic energy (control of production and use) order, 1953, (iv) railways.

4. MRTP Act : Under the MRTP Act, all firms with assets above a certain size (Rs. 100 crore since 1985) were classified as MRTP firms. Such firms were permitted to enter selected industries only and this also on a case-by-case approval basis. The new industrial policy scrapped the threshold limit of assets in respect of 'MRTP' and dominant undertakings.

5. Liberalisation of Industrial location policy : The new Industrial policy provides that in locations other than cities of more than one million population, there will be no requirement of obtaining industrial approvals from the centre, except for industries subject to compulsory licensing. In cities with a population of more than one million, industries other than those of a non-polluting nature will be located outside 25 kms. of the periphery.

6. Abolition of Phased Manufacturing Programmes for new projects : To force' the pace of indigenisation in manufacturing, Phased Manufacturing Programmes have been in force in a number of engineering and electronic industries.

7. Mandatory convertibility clause removed : A large part of industrial investment in India is financed by loans from banks and financial institutions. These institutions have followed a mandatory practice of including a convertibility clause in their lending operations for new projects. This has provided them an option of converting part of their loans into equity, if felt necessary by their management. This has often been interpreted as an unwarranted threat to private firms of take over by financial institutions. This mandatory convertibility clause put forward by the financial institutions has been abolished by the new industrial policy.

8. In the Union Budget of 1997-98, nine public sector undertakings, which performed very well were given the name of "Navratna" and were made autonomous. These "Navratnas" included :
Navratna Public sector enterprises have been given enhanced autonomy and delegation of

powers to incur capital expenditure (without any monentary ceiling), to enter into technology joint ventures, to raise capital from domestic and international market, to establish financial joint ventures and to wholly own subsidiary.

Public Sector

1. In terms of ownership public sector enterprise (PSE) comprises all undertakings that are owned by the government, or the public, whereas private sector comprises enterprises that are owned by private persons.

2. The main Objectives of Public Sector are :

3. To promote rapid economic development through creation and expansion of infrastructure;

4. To generate financial resources for development;

5. To promote redistribution of income and wealth;

6. To create employment opportunities;

7. To encourage the development of small scale and ancillary industries;

8. To promote exports on the new side and import substitution on the other; and

9. To promote balanced regional development.

Disinvestment and Privatisation

1. There is a difference between privatisation and disinvestment. Privatisation implies a change in ownership resulting in a change in management. Disinvestment is a wider term extending from dilution for the stake of the government to the transfer of ownership (when govt, stake reduced beyond 51%).

2. The Government of India constituted the Disinvestment Commission with Mr. G. V. Ramakrishna as the chairman in August 1996 to advise it on disinvestment programme of public sector enterprises. It has suggested classification of PSE in to core and non core. In core sector maximum of 49% disinvestment would be allowed while in non core disinvestment would be upto 74%. PSEs shares will given to small investors and employees to ensure wide dispersal of shares thus introduce mass ownership and workers shareholding. It has also suggested greater autonomy to PSEs.

3. To minimize the financial burden on the Public Sector Enterprises the Government has started Voluntary Retirement Scheme (VRS) for the employees by giving full compensation to employees. This is called "Golden Hand Shake Scheme".

4. Privatisation refers to a general process of involving the private sector in the ownership, or operation of a state owned enterprise. Thus it refers to private purchase of all or part of a company.

Small Scale Industries

Small scale and cottage industries have an important role to play in a labour surplus developing economy like India. Their importance can be explained as

(i) Employment Generation : Large scale industries are generally capital intensive. Small-scale industries, on the other hand, are generally labour intensive and have a substantially higher employment potential.

(ii) Equitable Distribution : The ownership of SSIs is more wide spread inter of both individuals as well as areas. Thus, these ensure equitable distribution of income individually and regionally.

(iii) Mobilisation of Small Savings : S.S.Is can be run with the help of small capital. Thus, they facilitate mobilisation of small savings.

(iv) Export Contribution : The share of small industries in the total export has increased over the years. It contributes 35% of total exports.
(v) Environment Friendly : As these are dispersed far away from urban centres they do not pollute urban environment.

However, Small Scale Industries are suffering from a number of problems like (i) Lack of timely, adequate and easy finance, (ii) Lack of availability of raw material, (iii) Lack of sound marketing system, (iv) Competition with large scale sector.

Sick Industries

1. A sick unit is one which is in existence for at least five years and had found at the end of accounting year that it had fully eroded its net worth. 30,000 units fall sick every year. A weak unit is one which erode 15% or more of its net worth.

2. Textile industry is the largest industry in the country. The share of Textile and Clothing industry in total industrial production is about 14%. It also contributes 13.14% in total merchandise exports of the country. This industry provides employment to about 350 lakh people in the country.

3. There are about 1,100 mills (900 spinning mills and 200 composite mills) in the country with 28 million spindles and 2 lakh looms.

4. There are 112 cotton mills in Gujarat. In Ahmedabad alone, there are 66 mills. It is known as Bostan of East. In Maharastra there are 104 mills out of which 54 alone are in Mumbai. Mumbai is called Cottono polis. In Kanpur there are 10 cotton mills and this city is called Manchester of North India.

5. The first cycle making factory of India was established in Calcutta in 1932. India holds second place in the field of cycles production in the world. About 90 lakh cycles are produced annually in India.

6. The share of small scale industries (SSI sector) in total exports of India is 32.3% in 2005-06

7. Small and Cottage industries were given high priority in the Industrial Policy of 1977.

8. District Industry Centres were established in 1977.

9. With the aim to provide finance, Small Industries Development Bank of India (SIDBI) was established in 1990.

10. Abid Husain Committee is related to reforms in small industries.

11. The industries in which maximum Rs. 1 crore is invested are called Small industries.

12. Industrial Finance Corporation of India (IFCI) was established on 1st July, 1948 by a special Act of Parliament.

13. The main aim of IFCI was to make available long term and mid term credit to the Industries of private and public sectors.

14. Industrial Credit and Investment Corporation of India (ICICI) was established in 1955 under the Indian Companies Act.

15. The function of ICICI is to support the establishment, development and modernization of industries in the private sector.

16. Industrial Development Bank of India (IDBI) is an apex institution in the field of industrial finance.

17. IDBI was established on 1st July, 1964.

18. Industrial Reconstruction Board of India (IRBI) was established in 1971 with the aim to reconstruct the sick industrial units.

19. Unit Trust of India was established in 1964.

20. Unit Trust of India (UTI) collects small savings of people through sale of units and invests them into sureties.

21. Life Insurance Company now Life Insurance Corporation of India or (LIC) was established in September 1956.

22. The head office of Life Insurance Corporation of India is in Mumbai. Presently, it has 7 zonal offices and 100 regional offices.

23. General Insurance Company of India (GIC) was established in 1972.

24. Indian Industrial Investment Bank Limited was established on 17th March, 1997 by the government, under Companies Act 1956. Presently, its authorized capital is 1000 crore rupees and its head office is in Kolkata.

Industrial Growth

1. The target growth of industry during the Tenth Plan (2002-07) was put at 10% consistent with an over all GDP growth 8%.

2. According to the CSO's latest data, during 2006-07, (the last year of the 10th plan) the industrial goowth stood at 10.0% compared to 9.6% in the corresponding period of 2005-06.

3. Manufacturing production grew by 11.3% against 9.1%, electricity generation by 7.7% against 53% and mining out put by 4.5% against 3.6% between the last two consecutive years.

4. Growth of industrial sector, from a low of 2.7% in 2001-02, revived to 7.1 % and 7.4% in 2002-03 and 2003-04 respectivety, and after accelerating to over 9.5% in the next two years, touched 10.0% in 2006-07.

Current Industrial Production

1. The growth rate of Industrial Production, as per the Quick Estimates of Index of Industrial Production (IIP) with base year 1993-94, improved from an. average of 5.0% per annum during 1997- 2002 (9th Plan) to 10.5% in 2009-10.

2. India is the second largest manufacturer of cement in the world. Cement industry is one of the most advanced industries in the country.

3. At present there are 156 large cement plants with an installed capacity of 233.94 million tonnes and more than 350 mini cement plants with an estimated capacity of 11.10 million tonnes per annum.

4. The small scale, cottage and artisan sector account for over 75% of the leather production.

5. More than 30% of the work force employed in this sector constitutes women.

Automobile Industry

1. Automobile Industry was delicensed in July 1991 with the annoucement of the New Industrial Policy.

2. The passenger car was however delicensed in 1993.

3. At present 100% Foreign Direct Investment (FDI) is permissible under automatic route in this sector including passenger car segment.

4. The industry also offers substantial scope of employment with 4.5 lakh direct employment and about one crore indirect employment.

Steel

1. Iron and steel Industry took birth in India in the year 1870 when Bengal Iron Woks Company established its plant at Kulti, West Bengal.

2. Large scale iron and steel production was started in 1907 by TISCO, established at Jamshedpur (Jharkhand).

3. As per the data from International Iron and Steel Institute (IISI) India is the 7th largest producer of steel in the world.

4. At present India is the 9th largest Crude Steel producing country in the world.

5. Today, India is the largest producer of sponge iron in the world.

Small Enterprises Sector

1. The employment provided by the sector is estimated to be over 280 lakh persons at present.

2. In recognition of this role, the SE sector had been assigned targets of 12% annual growth in production and creation of 44 lakh additional employment opportunities in the Tenth Five-Year Plan.

Micro, Small and Medium Enterprise Development Act, 2006

1. Small and Medium Enterprised Development Bill 2005 (which was introduced in the Parliament on May 12, 2005) has been approved by the President and thus became an Act.

2. This new Act, named as 'Small and Medium Enterprise Development Act, 2006' has become effective, from October 2, 2006.

3. This Act makes a different category for medium level enterprises.

4. This Act provides the first-ever legal frame work for recognition of the concept of 'enterprise' (comprising both manufacturing and services) and integrating the three tiers of these enterprises, viz., micro, small and medium.