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Outcome of New industry policy

- ① The 1991 policy made 'Licence, permit, and quota' a thing of the past. It attempted to liberalise the economy by removing bureaucratic hurdles in industrial growth.
- ② Limited role of public sector reduced the burden of the Government.
- ③ The policy provided easier entry of multinational companies, privatisation, removal of assets limit on MRTP companies, liberal licensing.

All this resulted in increased competition that led to lower prices in many goods such as

electronic prices. This brought Domestic as well as foreign investment in almost every sector opened to private sector.

(4) The policy was followed by special efforts to increase exports. Concept like Export oriented Units, Export-processing zones, Agri-export zones, Special Economic zones - and lately National Investment and Manufacturing zones emerged. All these have benefitted the export sector of the country.

□ Limitation of industrial policies in India -

(1) Stagnation of Manufacturing sector - Industrial policies, in India have failed to push manufacturing sector whose contribution to GDP is stagnated at about the 16% since 1991.

② Distortions in industrial pattern owing to selective inflow of investment ⇒

In the current phase of investment following liberalisation, while substantial investment have been following into a few industries, there is concern over the slow pace of investment in many basic and strategic industry such as engineering, power, machine tools etc.

③ Displacement of Labour :- ~~Restructuring~~ Restructuring and modernization of industries, as a sequel to the new industrial policy led to displacement of labour.

④ Absence of incentives for raising efficiency -
⇒ focussing attention on internal liberalization without adequate emphasis on trade policy reforms resulted in consumption-led growth, rather than

'investment or 'export-led growth',

- ⑤ Vaguely defined industrial location policy :- The New Industrial Policy, while emphasised the detrimental effects of damage to the environment, failed to define a proper industrial location policy. which could ensure a population free development of industrial climate.

□ Way to forward

- ① Industrial policies in India have taken a shift from predominantly socialistic pattern in 1956 to Capitalistic since 1991.
- ② India now has much liberalised industrial policy regime focusing on increasing foreign investment and lesser regulations.
- ③ India ranked 77th on World Bank's

doing business Report - 2018 Report 2018, Reforms Related to insolvency resolution (Bankruptcy and insolvency Act, 2017) and the Goods and Service tax (GST) are impressive and will result in long-term gains for the industrial sector.

④ Campaigns such as Make in India and Startup India have helped to enhance the business ecosystem in the country.

⑤ However, electricity shortages and high prices, credits constraints, high unit labour cost due to labour regulation, political interference and other regulatory burdens continue to remain challenges for firm growth of industrial sector in India.

⑥ There is a need for new industrial policy to boost the manufacturing sector in the country. Government in December 2018 also left the need to introduce a new industrial policy that would be a road map for all business enterprises in the country.