

FACULTY OF JURIDICAL SCIENCES

Lecture-24



Government Policies for Development and Promotion

Some of the Government Policies for development and promotion of Small-Scale Industries in India are: 1. Industrial Policy Resolution (IPR) 1948, 2. Industrial Policy Resolution (IPR) 1956, 3. Industrial Policy Resolution (IPR) 1977, 4. Industrial Policy Resolution (IPR) 1980 and 5. Industrial Policy Resolution (IPR) 1990.

Since Independence, India has several Industrial Policies to her credit. So much so that Lawrence A. Veit tempted to say that “if India has as much industry as it has industrial policy, it would be a far well-to-do nation.” With this background in view, in what follows is a review of India’s Industrial Policies for the development and promotion of small-scale enterprises in the country.

1. Industrial Policy Resolution (IPR) 1948:

The IPR, 1948 for the first time, accepted the importance of small-scale industries in the overall industrial development of the country. It was well realized that small-scale industries are particularly suited for the utilization of local resources and for creation of employment opportunities.

However, they have to face acute problems of raw materials, capital, skilled labor, marketing, etc. since a long period of time. Therefore, emphasis was laid in the IPR, 1948 that these problems of small-scale enterprises should be solved by the Central Government with the cooperation of the State Governments. In nutshell, the main thrust of IPR 1948, as far as small-scale enterprises were concerned, was ‘protection.’

2. Industrial Policy Resolution (IPR) 1956:

The main contribution of the IPR 1948 was that it set in the nature and pattern of industrial development in the country. The post-IPR 1948 period was marked by significant developments taken place in the country. For example, planning has proceeded on an organized manner and the

First Five Year Plan 1951-56 had been completed. Industries (Development and Regulation) Act, 1951 was also introduced to regulate and control industries in the country.

The parliament had also accepted 'the socialist pattern of society' as the basic aim of social and economic policy during this period. It was this background that the declaration of a new industrial policy resolution seemed essential. This came in the form of IPR 1956.

The IPR 1956 provided that along with continuing policy support to the small sector, it also aimed at to ensure that decentralized sector acquires sufficient vitality to self-supporting and its development is integrated with that of large- scale industry in the country. To mention, some 128 items were reserved for exclusive production in the small-scale sector.

Besides, the Small-Scale Industries Board (SSIB) constituted a working group in 1959 to examine and formulate a development plan for small-scale industries during the, Third Five Year Plan, 1961-66. In the Third Five Year Plan period, specific developmental projects like 'Rural Industries Projects' and 'Industrial Estates Projects' were started to strengthen the small-scale sector in the country. Thus, to the earlier emphasis of 'protection' was added 'development.' The IPR 1956 for small-scale industries aimed at "Protection plus Development." In a way, the IPR 1956 initiated the modern SSI in India.

3. Industrial Policy Resolution (IPR) 1977:

During the two decades after the IPR 1956, the economy witnessed lopsided industrial development skewed in favor of large and medium sector, on the one hand, and increase in unemployment, on the other. This situation led to a renewed emphasis on industrial policy. This gave emergence to IPR 1977.

The Policy Statement categorically mentioned:

"The emphasis on industrial policy so far has been mainly on large industries, neglecting cottage industries completely, relegating small industries to a minor role. The main thrust of the new

industrial policy will be on effective promotion of cottage and small-scale industries widely dispersed in rural areas and small towns. It is the policy of the Government that whatever can be produced by small and cottage industries must only be so produced.”

The IPR 1977 accordingly classified small sector into three broad categories:

1. Cottage and Household Industries which provide self-employment on a large scale.
2. Tiny sector incorporating investment in industrial units in plant and machinery up to Rs. 1 lakh and situated in towns with a population of less than 50,000 according to 1971 Census.
3. Small-scale industries comprising of industrial units with an investment of up to Rs. 10 lakh and in case of ancillary units with an investment up to Rs. 15 lakh.

The measures suggested for the promotion of small-scale and cottage industries included:

- (i) Reservation of 504 items for exclusive production in small-scale sector.
- (ii) Proposal to set up in each district an agency called ‘District Industry Centre’ (DIC) to serve as a focal point of development for small-scale and cottage industries. The scheme of DIC was introduced in May 1978. The main objective of setting up DICs was to promote under a single roof all the services and support required by small and village entrepreneurs.

What follows from above is that to the earlier thrust of protection (IPR 1948) and development (IPR 1956), the IPR 1977 added ‘promotion’. As per this resolution, the small sector was, thus, to be ‘protected, developed, and promoted.’

4. Industrial Policy Resolution (IPR) 1980:

The Government of India adopted a new Industrial Policy Resolution (IPR) on July 23, 1980. The main objective of IPR 1980 was defined as facilitating an increase in industrial production through optimum utilization of installed capacity and expansion of industries.

As to the small sector, the resolution envisaged:

(i) Increase in investment ceilings from Rs. 1 lakh to Rs. 2 lakh in case of tiny units, from Rs. 10 lakh to Rs. 20 lakh in case of small-scale units and from Rs. 15 lakh to Rs. 25 lakh in case of ancillaries.

(ii) Introduction of the concept of nucleus plants to replace the earlier scheme of the District Industry Centre's in each industrially backward district to promote the maximum small-scale industries there.

(iii) Promotion of village and rural industries to generate economic viability in the villages well compatible with the environment.

Thus, the IPR 1980 reemphasized the spirit of the IPR 1956. The small-scale sector still remained the best sector for generating wage and self-employment based opportunities in the country.

5. Industrial Policy Resolution (IPR) 1990:

The IPR 1990 was announced during June 1990. As to the small-scale sector, the resolution continued to give increasing importance to small-scale enterprises to serve the objective of employment generation.

The important elements included in the resolution to boost the development of small-scale sector were as follows:

(i) The investment ceiling in plant and machinery for small-scale industries (fixed in 1985) was raised from Rs. 35 lakh to Rs. 60 lakh and correspondingly, for ancillary units from Rs. 45 lakh to Rs. 75 lakh.

(ii) Investment ceiling for tiny units had been increased from Rs. 2 lakh to Rs. 5 lakh provided the unit is located in an area having a population of 50,000 as per 1981 Census.

(iii) As many as 836 items were reserved for exclusive manufacture in small- scale sector.

(iv) A new scheme of Central Investment Subsidy exclusively for small-scale sector in rural and backward areas capable of generating more employment at lower cost of capital had been mooted and implemented.

(iv) With a view, to improve the competitiveness of the products manufactured in the small-scale sector; programmes of technology up gradation will be implemented under the umbrella of an apex Technology Development Centre in Small Industries Development Organization (SIDO).

(v) To ensure both adequate and timely flow of credit facilities for the small- scale industries, a new apex bank known as 'Small Industries Development Bank of India (SIDBI)' was established in 1990.

(vi) Greater emphasis on training of women and youth under Entrepreneurship Development Programme (EDP) and to establish a special cell in SIDO for this purpose.

(vii) Implementation of delicensing of all new units with investment of Rs. 25 crore in fixed assets in non-backward areas and Rs. 75 crore in centrally notified backward areas. Similarly, delicensing shall be implemented in the case of 100% Export Oriented Units (EOU) set up in Export Processing Zones (EPZ) up to an investment ceiling of Rs. 75 lakh.