

Review of Industrial Policy of INDIA-2004

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ABSTRACT

Industrial Policy Resolution of 1956 (IPR 1956) is a resolution adopted by the Indian Parliament in April 1956. It was the first comprehensive statement on industrial development of India. The 1956 policy continued to constitute the basic economic policy for a long time. This fact has been confirmed in all the Five-Year Plans of India. According to this resolution the objective of the social and economic policy in India was the establishment of a socialistic pattern of society. It provided more powers to the governmental machinery. It laid down three categories of industries which were more sharply defined. In this research study, researcher focus on the Industrial policy of India

Keywords: India, Industry, Policy, Business

Gujarat has been the front-runner in the overall economic development of the country all these years, as is evident from the fact that with mere 6% of geographical area and 5% of the population of India, the state contributes to 21% of the country's exports and 6.42% of the national GDP at constant prices. If the decadal growth of performance of some of the Indian states vis-à-vis other Asian economies with that of Gujarat is compared, one gets quite an encouraging scenario. The industrial growth of Gujarat with a figure of 8.52% could be way ahead of many Indian states and other Asian Tigers viz. Singapore, Malaysia and Korea.

Research Area

In this paper researcher has studied industrial policy of India. Covered all leading manufacturing industry of India such as engineering, chemical, petrochemical, plastics etc.

Gujarat – A leading state in manufacturing sector

Over a period of time, the state has established itself as second to none, especially in case of manufacturing sector. The State has successfully carved out a formidable position for itself on the

national map of manufacturing sector, as is reflected from the status of dominance in many areas pertaining to manufacturing. The illustrative list of some of the selected products, wherein Gujarat contributes significantly is as under:

S.No.	Sector/Industry	Share of Gujarat in National Production
1.	Engineering <ul style="list-style-type: none"> • Power Driven Pumps and Monoblok Pumps • Air & Gas Compressors • Steel Casting • Forgings • CI Casting 	74% 70% 57% 12% 10%
2.	Chemical Products <ul style="list-style-type: none"> • Soda Ash • Liquid Chlorine • Paints & Enamels • Caustic Soda • Sulphuric Acid 	94% 70% 20% 17% 16%
3.	Petrochemical Products <ul style="list-style-type: none"> • Caprolactum 	55%
4.	Plastic Products <ul style="list-style-type: none"> • Laminated/Decorative sheets 	14%
5.	Drugs and Pharmaceuticals	45%

Policies in Retrospect : A strong foundation for a brighter tomorrow

The erstwhile policy initiatives shot the state into prominence on the industrial map of the country with a well-diversified base from a lone base of textile and its auxiliaries when formed in 1960. The earlier policies including the policies of the first decade of post-liberalization period were primarily incentive centric to attract investments in the developing areas of the state. These policies have also served the purposes but this instrument since 2000 was no longer available, the state came out with a different policy initiatives in 2000, primarily focusing on strengthening the manufacturing sector with emphasis on strengthening existing and creating new clusters, promotion of IT and knowledge based industries, enhancing exports, development of small and service sector, technology upgradation programme, R&D, setting up of Industrial Parks, upgradation of infrastructure, support for

environmental protection measures, etc. Since then however, certain new developments especially in the form of markets increasingly getting integrated with global economy and the state emerging with substantial reserves of gas which would transform the economy of the state to flourish on the basis of cheaper and cleaner source of energy. These developments necessitated fine-tuning of the policy initiatives.

The Industrial Policy : Proactive Approach of the Government

The Industrial Policy of a state assumes the role of a lighthouse giving futuristic direction to the process of industrialization. In fact, it also reflects the commitment of the State towards the achievement of a sustainable industrial development. In the rapidly changing current scenario, it is more than imperative that the Industrial Policy adopts a pro-active approach rather than a reactive approach and that Government should encourage free market forces to decide the course of development and to intervene only when the interests of the society in general and investor community in particular are found to be at peril.

Hospitality of Gujarat : Government to act as a Facilitator

Nothing can give boost to the aspirations of an entrepreneur/investor than an access to concrete, speedy and authentic information. The mode of information dissemination and the usual courtesies associated with it are also equally important at all levels right from grass-root to the apex. Besides, the authorities and the staff at all levels should leave no stone unturned by assuming the role of friends, philosophers and guides by exploiting the technology at its fullest extent. In order to give a tangible form to the aspirations, the presence of sound infrastructure, encompassing the social and physical dimensions assumes utmost importance. All the facets of physical infrastructure should compete with the best in the world. At the same time, there is an increased sense of realization that development is not a subject confined only to Government. The representative bodies of Industries should also be empowered to become a partner-in-progress. The Policy would not serve its purpose if it does not bring us closer to the ultimate destination of our pursuit – Enhanced Quality of Life. Basic parameters serving as yardstick to determine the quality of life would be taken into consideration. Education is one of the important aspects leading to the empowerment of an individual to enable him to contribute to the society. An effort will be mobilized in the direction of strengthening linkages between educational institutions and industry.

Special Economic Zones : Paradise for Investors

The Government of Gujarat has recently promulgated ordinances to facilitate setting up of Special Economic Zones and Industrial Parks. As per the provision of this ordinance, the responsibilities of management of the Zone and all the permissions under Single Window to the industrial units coming up in the Zones are vested with the Development Commissioner of Government of India. In addition, all the powers, duties and responsibilities for compliance of provisions under various labour laws as available with Labour Commissioner, have also been delegated to the Development Commissioner. In order to attract entrepreneurs for investing in the Zones, the Government has also decided to offer certain incentives. The industrial units setting up a power plant for his captive requirements would be offered electricity duty exemption for a period of 10 years. The units coming up in the Zone are also exempt from the levy of stamp duty or registration fees on transfer of land, loan agreement, credit deeds, mortgage documents or any other contracts. Sales tax, purchase tax, motor spirit tax, luxury tax, entertainment tax and other taxes are also exempted for the units set up in the Zone. The Government has also exempted the tax on the supply of raw materials from the domestic tariff area to the units located in the Zone. In Gujarat, at present, Special Economic Zones at Kandla and Surat are already in place. The State Government also plans to set up such SEZs at locations like Dahej, Hazira and Mundra in the near future, of which permissions for SEZs at Dahej and Mundra from Government of India have already been received. The facilities being developed in the Special Economic Zones in Gujarat are going to prove to be paradise for the investors in the times ahead and as a result, a sizeable investment is expected to be materialized. At present, this ordinance has been sent for Presidential accent through Central Government which is expected to be received soon.

Flexibility of Labour Laws: A unique feature of Gujarat

Gujarat is one of a very few states, which has embarked upon the path of labour reforms. The 'flexibility' aspect of labour reforms of Gujarat might strengthen its position as an ideal destination for investment besides other factors, in the coming years. In addition, initiatives like Self-Certification and Single Business Act would leave an indelible mark as one of the best in the contemporary environment. The Government however reiterates its faith in the statement that – Development should not be at the cost of Environment. At the same time, it should not be used as an alibi for stalling the developmental pace. An honest attempt would also be made to organize the agriculture commodities business by inculcating the element of professionalism and by extensive use of modern technology in the processing.

SME Sector : The backbone of economic development in Gujarat

The industrial landscape of the state is comprehensively coloured by small and medium sector enterprises of different hues and shades. It is this sector that has contributed significantly to the state, in wealth creation as well as employment generation all these years. Taking a clue from the winds of change that are sweeping the entire globe, the Government wishes to strengthen the clusters by sensitizing and encouraging them with the issues like use of advanced technologies, importance of patents and quality, virtues of 'collectivism' etc. Efforts will also be directed towards curing and subsequently eradicating Industrial Sickness.

Cluster Development Approach for Small and Medium Enterprises

In Gujarat, there are 76 industrial clusters at 90 different locations. In order to further strengthen the existing clusters, the State Government plans to offer assistance under the policy. Apart from this, the Government would also like to take measures for promoting new clusters in the state so as to enable the member units in the clusters to avail of the common facilities developed. The State Government through the policy, therefore proposes to empower the clusters. In order that the clusters will be in a position to avail of the assistance from the Government, the definition of the cluster has been spelt out. Accordingly, cluster would be defined as a group of industries manufacturing identical and complimentary products. The Government has decided to recognise a cluster with a critical mass of a minimum of 50 units located within the radius of 10 kms at a particular location. Under the scheme, assistance will be given to Cluster Association for carrying out certain activities leading to further strengthening of the clusters.

Gujarat Synonymous with Quality : Developing a Global Brand Image

In today's world, it is difficult for a product to be sold by itself unless concrete marketing and promotional efforts back it. Going by the concept, the Government would tread on an ambitious path of positioning the image of Gujarat as a producer of quality goods on international platform by extensive and focused marketing through promotional efforts. The realization of the above will be pretty easier given the fact that the industries in Gujarat would be recharged by the cost-benefits accruing due to easy availability of cheaper and cleaner fuel in the form of gas. The gas-based economy of Gujarat will be the differentiating factor from its competing economies. Taxation has always been used as an instrument to correct price disparities and for protecting the interest of customers. A reiteration of various measures taken to benefit the industrial community has been

made. As mentioned earlier, the State plans to continue its march towards the path of **Reform Agenda**.

Other Initiatives: Complimentary to Industrialisation

There are some other initiatives, which also need special attention. The issue of promotion of investment from NRIs and FDI would be undertaken in a more focused manner. In order to ensure holistic development, regional imbalances are proposed to be corrected. Studies on special focus sectors like fisheries, tribal area welfare, Development of Kutch etc. would also be undertaken to get a broader perspective.

SMALL AND MEDIUM ENTERPRISES

Gujarat, since many years has been known as the land of entrepreneurs. It is this entrepreneurial spirit that ushered the process of emergence of a sector characterized by many small and medium scale industries in the state. Small-scale industries are the major contributors to the economy of any region. Looking to the nature of investment and technology adopted by them, they offer wide scope for employment opportunities thus helping to alleviate the core problem of unemployment in our country. The sector has matured over a period of time driven by the business acumen of the entrepreneurs in terms of their technical skills and capability to run units with lower overheads. However, with the Indian economy steadily aligning with the global environment, a need is now felt to strengthen small and medium sector units in terms of an array of needs like capacity building, infrastructural support, financing, technology upgradation, research and development activities, quality improvement, market access and many more ... so as to enable them to have competitive advantages in the international market.

Cluster Development Approach

The strong presence of 76 identified manufacturing sectors consisting of a large number of small and medium scale industries provides a very **vibrant manufacturing base** for the state. Each of these sectors is located in clusters spread throughout the state. With increasing extent of globalization and liberalization, when economies of scale and quality would play predominant role in the international trade, empowering industries of the state to meet with such challenges is an imperative need of the present time. The cluster development approach is therefore an important initiative for empowering the clusters to face the challenges.

The Government therefore, plans to strengthen existing clusters in the state to provide necessary support to meet with the challenges ahead. A cluster would be defined as a group of industries manufacturing identical and complimentary products. The Government has decided to recognise a cluster with a **critical mass of a minimum of 50 units located within the radius of 10 kms at a particular location**. The number of 50 units could be relaxed by the Government in respect of certain sectors having regard to the managerial and technical competence, size and the nature of the industry. The Government aims to empower the clusters by providing need-based financial assistance for taking up strengthening activities. For the purpose, individual clusters will be rated by accredited rating agencies in terms of technical and managerial competence, level of maturity, administrative set up, past track record, transparency of operations, etc. Based on the grading, quantum of financial assistance will be decided. The assistance will be provided for the purpose of helping the clusters in upgradation of both product design and technology, quality improvement, R&D activities, common branding and marketing facilities, development of common facilities such as library, testing and certification laboratories, tool room, soft skill development, capacity building for workers and supervisors in terms of skill upgradation and productivity, etc besides the upgradation/creation of common infrastructure facilities . Assistance to the identified clusters will be from existing schemes of the government. Detailed guidelines for assistance will be laid down separately.

The Government also has decided to offer concessions in the form of **electricity duty exemption for a period of first five years** to the cluster associations if they set up either common power plants or common effluent treatment plants or waste recycling plants.

Develop common facility centres in clusters

Small-scale industries have proved to be a major contributor to the economy of the state, both in terms of value addition and employment generation and therefore, their importance cannot be understated. However, in the coming years, Government feels that for small units to survive and prosper, 'consolidation' would be the key. The existing clusters need to be strengthened so as to enable them to convert adversities into opportunities. The role of the respective cluster associations would therefore, be crucial in this context. The associations would be encouraged to take up the following activities.

- Creation of common facilities like Research and Development laboratories, the fruits of which can be reaped by all the participants. Improved technology and quality product designs would be the password for the small scale units for entry in the international market and the associations would make a periodic review of their member units on this aspect.
- The cluster associations will also help the member units by involving R&D institutions in upgradation of technology with the help of Government fund
- The associations will assist their member units to tie up bank finance and at the same time will also help the banks to recover their dues.
- The Government will also encourage cluster associations to set up cooperative banks to enable members units to avail of finances at competitive cost. For the purpose, the Government would provide necessary interventions in terms of ensuring proper monitoring and regulating operations, human resource development and arrangement of funds.
- The associations will also help the units to find new markets. For the purpose, they will maintain an extensive information bank of the opportunities available for their cluster products in other markets, as also they will strive to devise strategies for strengthening existing markets of their member units. They would make representations to the Government, if the latter's intervention is required.
- The associations will encourage common branding and marketing through the brand development and marketing fund. Government considers this to be a very important aspect, as it will enable the units to channelize their efforts in a focused direction as also it would initiate a process of projecting image of Gujarat as a leading producer of quality goods.
- The cluster associations will launch a campaign for the use of cleaner technologies. For the purpose, arrangement would be made to provide information on advice and guidance as well as training on pollution control norms.
- The cluster associations will also arrange for the capacity enhancement programmes including productivity improvement for the workforce engaged in the member units.
- The cluster associations will also motivate the member units to go for review of energy and water consumptions for the purpose of conservation of these resources. For the purpose, they will also be encouraged to use energy efficient devices as well as minor modifications in the process design to change the operating conditions.

- The cluster associations may arrange for a collective participation in national as well as international fairs.

SME Sector

Apart from the approach of cluster development as outlined above, the need for strengthening the existing SME units also assumes importance. However, such assistance should be done in a manner that good and healthy unit with managerial and financial strengths would feel encouraged by the recognition of performance. Yet genuine sick and weak units should also be extended a helping hand. A concept of credit and performance rating would enable Government to assist such units. This concept should also enable the unit to approach money market for borrowing at reasonable rates of interest. This will be very useful because of a feeling of general neglect of SSIs by banking institutions and ailing SFCs.

Assistance for Technology Upgradation

In the times to come, technology would dictate the manufacturing sector in any industry. The industries with superior technology will ultimately have a cutting edge by being equipped with the ability to provide quality products and services in a cost effective manner. In today's world, when the process of 'technology change' has become an unbridled phenomenon, it is very essential that the industries try to keep pace with the rapid changes in the technology, identify and adopt ones, which fit the best in their set-up. Government appreciates this fact and therefore, plans to encourage industries thinking in the direction of upgrading their existing technology. For the purpose, Government plans to introduce a scheme to provide **an interest subsidy @ 3% on purchase of all capital equipments necessary to be installed for technology upgradation for a period of 5 years** subject to a maximum of Rs.3 lakhs per year, to the small and medium sector units.

Technology Acquisition and Patent Tracking Fund

Technology Acquisition: Acquisition of technology is also a complex process. It may perhaps not be possible for individual small units to acquire technology on their own. The Government therefore plans to create an administrative set up in the Industries Commissionerate comprising technology experts, to source, assess and acquire appropriate technologies. For the purpose, the Government has decided to create **an initial revolving fund**. The administrative set up will procure the technology and in turn will transfer it to individual units at reasonable price. This will also include the

technologies, which are generic in nature and useful to the whole cluster in the form of drawings and designs mainly for SSI units. The technology transfer will also include the training component. This benefit could be extended to recognised clusters as well.

Patent Tracking: In the changing business environment which is likely to impact the export drive from Gujarat, it is necessary to keep a close track on the details of patent registrations taking place globally. This fund therefore will also be utilised towards appointing professional agencies **to monitor and make available periodic tracking reports on patent registrations and their profiles** for catering to the information needs of the industry in Gujarat. The benefit could be extended to recognised clusters as well. The details will be worked out and notified separately.

Quality Upgradation Scheme

In the new emerging scenario, quality upgradation is a must for every industry to survive, be it in the small or medium or large sector. The Government of Gujarat also realises the importance of this critical factor and therefore, has decided to **continue to extend its current scheme of quality upgradation to reimburse the expenses** incurred which will include cost of acquiring equipments required for testing and R&D connected with quality upgradation and acquisition of quality marks as well as consultancy fees required if any, to be paid to recognised R&D institutions/firms. This assistance is also **extended for obtaining ISO 9000 and ISO 14000**. Assistance will also be offered for various other schemes including **GMP, Six Sigma, HACCP, cleaner technology, Total Productivity Maintenance/Management (TPM), Just in Time (JIT), CRM/SCM/BPR packages and other sectoral programmes**, which will be notified from time to time. The scheme provides for a **maximum of Rs.25,000/- per scheme** as grant from the Government on a matching fund basis with the contribution from the individual units with **an overall ceiling of Rs.1 lakh per SSI unit, once in every five years**. The identified cluster would also avail of the benefit for its units.

Industrial Sickness

Industrial sickness has become a critical but unpleasant feature of the Indian economy. In order to ensure rapid growth of industrial economy, the sickness should be cured and subsequently to be eradicated. The Government plans to set up a mechanism to detect the reasons for possible sickness of a particular industrial sector as a whole over a period of time through studies so that these reports could serve as whistle-blowing exercises in advance to enable appropriate Government interventions to be made in time to prevent the sector falling sick.

Cash Subsidy for common R&D activities

In order to survive and to thrive in the years ahead, activities of research and development would become an integral part of any industry. Government realises the importance of R&D in the industry and have therefore, decided to promote the same in a big way, more so in the small and medium sectors. The Government has therefore, decided to continue the present scheme of providing assistance in the form of cash subsidy at the rate of 50% subject to a maximum of Rs.5 lakhs for the necessary expenditure incurred towards R&D activities. Identified clusters could also take up collective R&D work under the scheme.

Conservation of Energy and need for Energy Review

The Government plans to encourage energy review in a big way by providing subsidy to conduct energy review to SMEs. This will help in conservation of precious energy in general and the unit also to be benefited in terms of cost of operations. For the purpose, the Government has decided to offer the **Energy Review Subsidy** This subsidy will however be disbursed only after the unit introduces the energy conservation measures as suggested in the study report. For the purpose, the Government will appoint a large pool of accredited review agencies.

Assessment of Water Consumption

In the recent years, water is also considered to be one of the important resources, more so in the context of Gujarat. The Government therefore, wants to encourage proper assessment of water requirements of the industries to enable them to conserve water, which could be utilised for other purposes. The Government has therefore, decided to offer **cash subsidy for assessment of water consumption in the existing industries**. This subsidy will however be disbursed only after the unit introduces water conservation measures as per the recommendation of the assessment agency. For the purpose, the Government will appoint accredited agencies.

Interest subsidy

The existing scheme of providing interest subsidy to small scale units will also be continued with modification in view of fluctuating interest rates. Under the scheme, a new small scale unit will be offered an interest subsidy @ 5% per annum or Rs.5 lakhs whichever is less subject to a condition that the unit will have to pay a minimum of 5% of interest per annum. This benefit will be extended for a period of five years, subject to an overall ceiling of Rs 25 lakhs.

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