

# CLASS – 11

## ECONOMICS

Indian Economy Development

CH-2 : Indian Economy  
1950 – 1990

Part – 4  
Policy making for Industry  
sector

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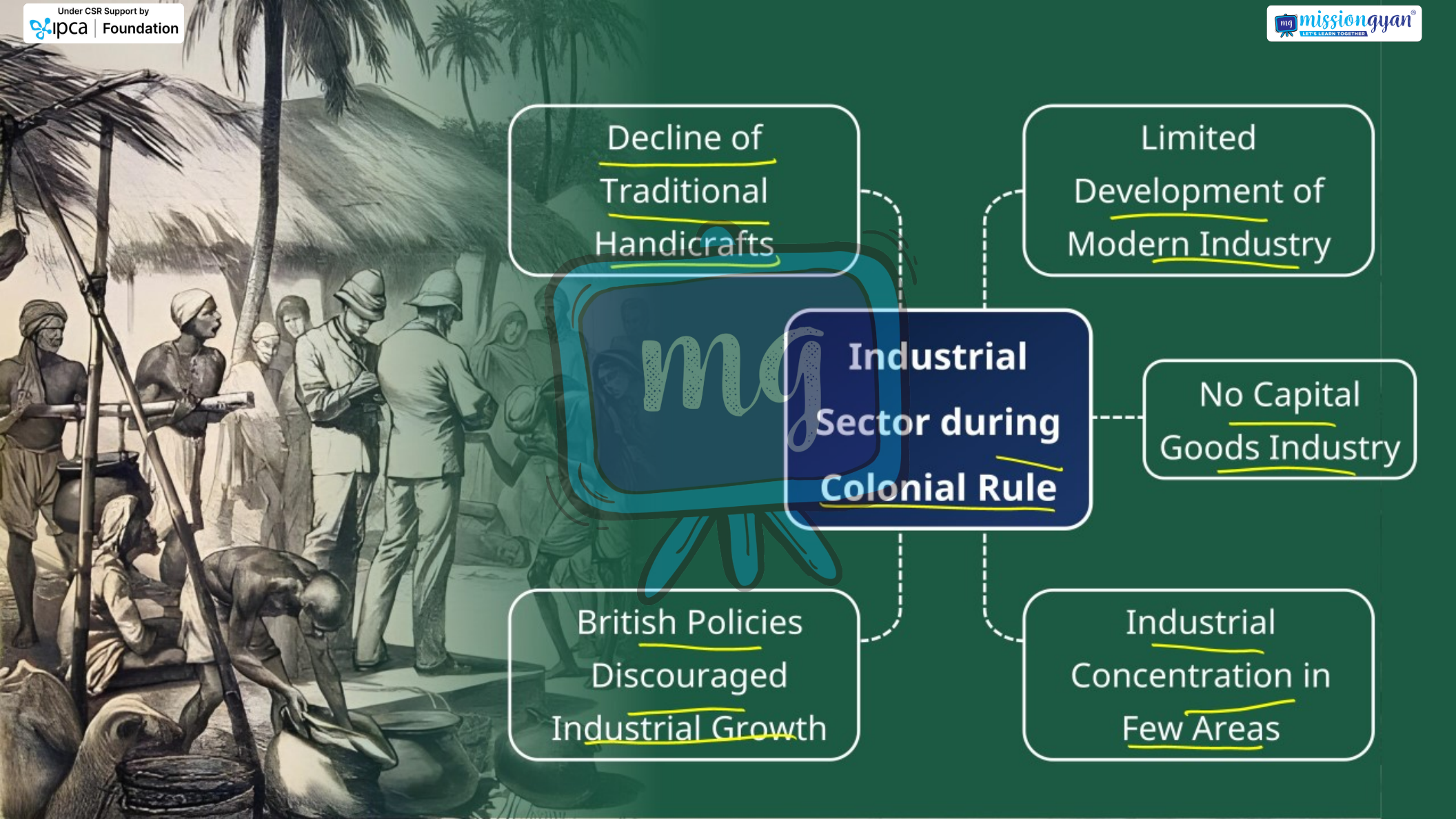
# OVERVIEW



## Indian Economy 1950 - 1990

1. Economic Planning in India after Independence
2. Objectives of Planning Commission India
3. Policy making for Agriculture sector
4. Policy making for Industry and Trade sector





Decline of  
Traditional  
Handicrafts

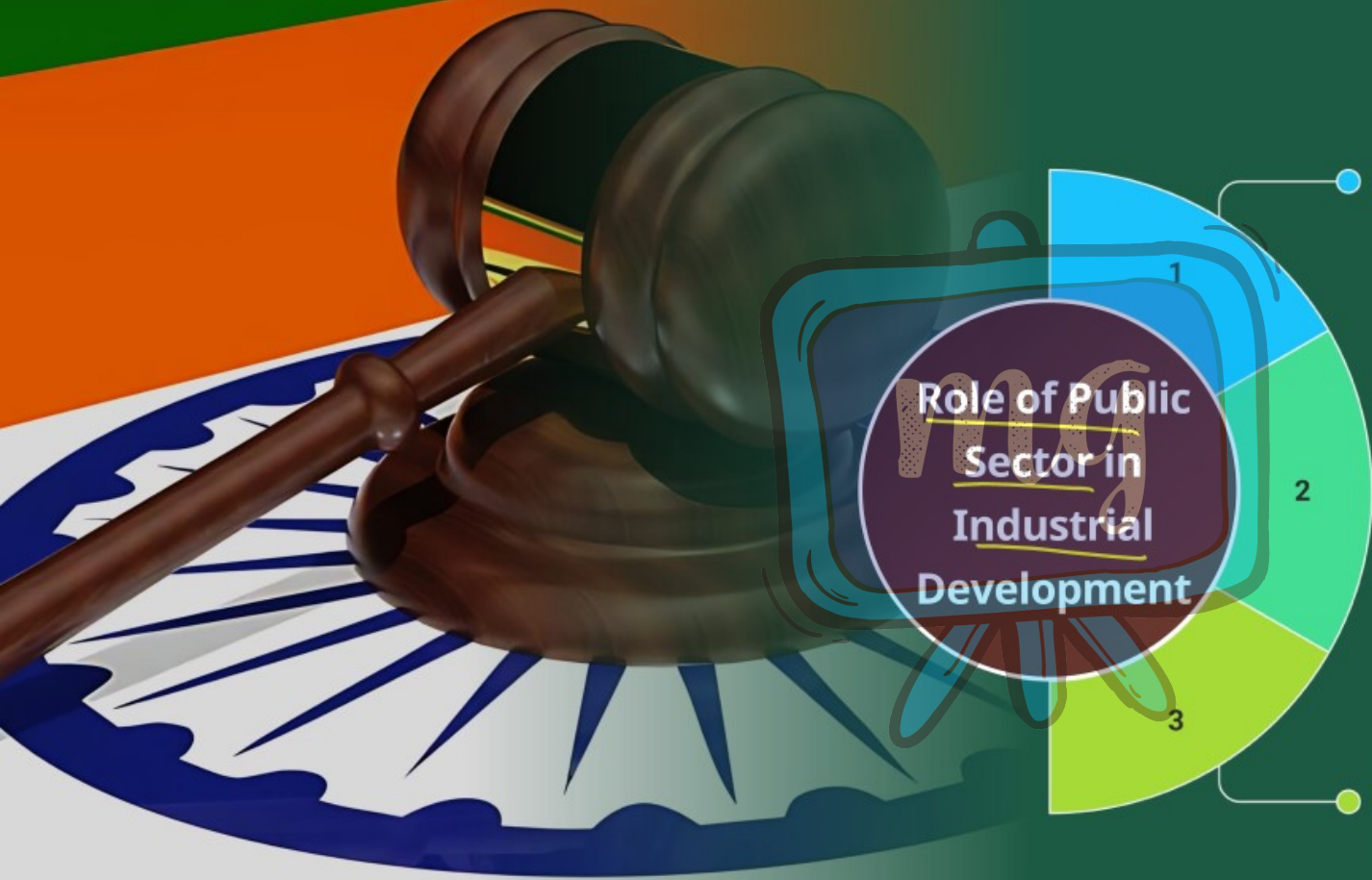
Limited  
Development of  
Modern Industry

**Industrial  
Sector during  
Colonial Rule**

No Capital  
Goods Industry

British Policies  
Discouraged  
Industrial Growth

Industrial  
Concentration in  
Few Areas



Lack of Capital  
with Private Sector

Lack of incentives for  
Private sector

Objective  
of Social Welfare



## Lack of Capital with Private Sector

- Indian industrialists did not have the capital to undertake investment in industrial ventures required for the development of Indian economy.



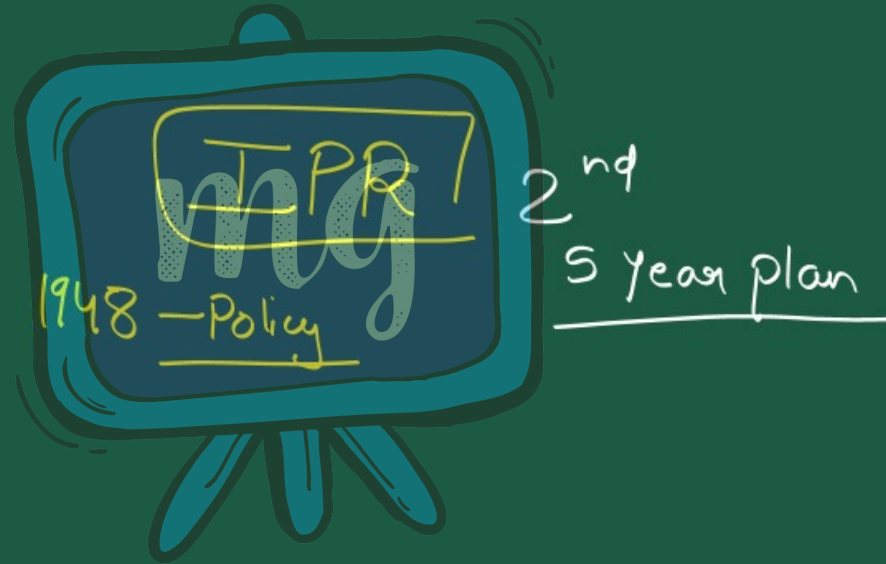
## Lack of incentives for Private sector

- ▮ The decision to develop the Indian economy on socialist lines led to the policy of the government controlling the commanding heights of the economy, as the Second Five Year plan put it.

## Objective of Social Welfare

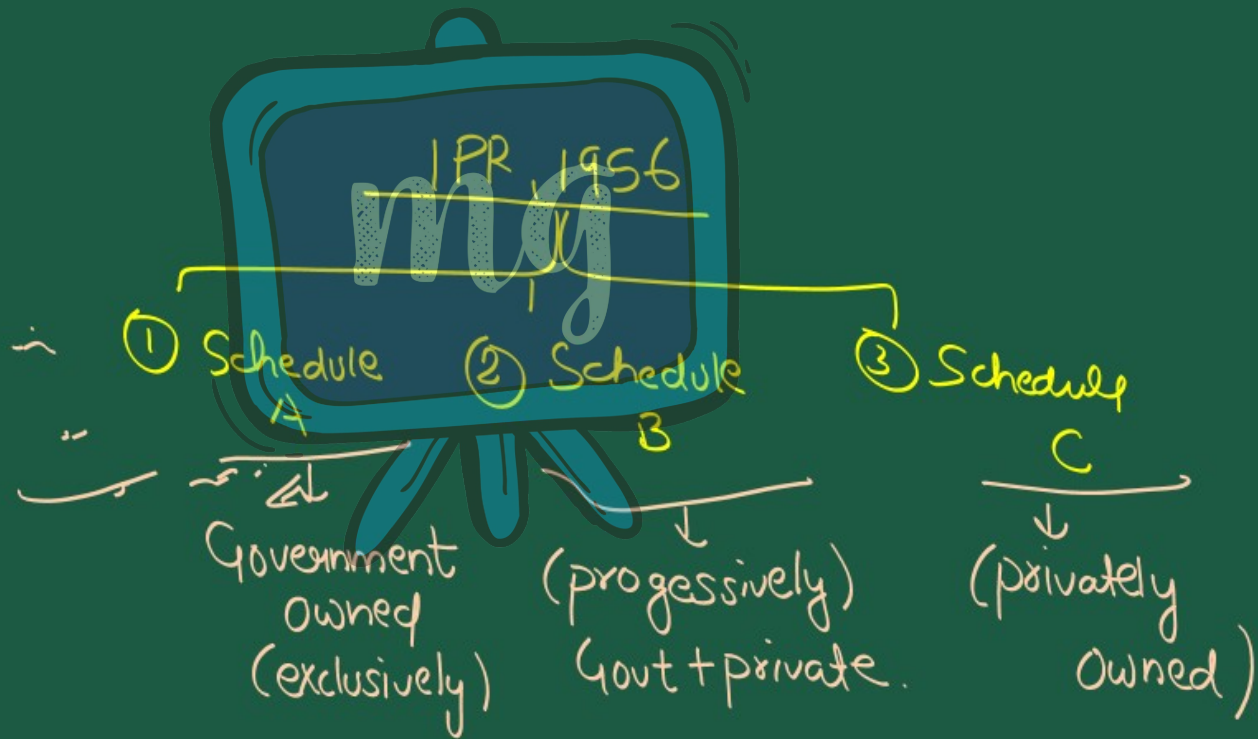
- Social welfare and equality can only be achieved by direct involvement of the government in the industrial sector.











# INDUSTRY POLICY RESOLUTION (IPR) 1956

- It is a comprehensive package of policy measures which covers various issues connected with different industrial enterprises of the country.
- It is essential for devising various procedure, principles, rules and regulations.





- After the industrial policy, 1948 Indian economy had to face a series of economic and political changes, which necessitated the need for a fresh industrial policy for the country.
- So, on 30th April 1956, a second industrial policy resolution was adopted in India, which also formed the basis of Second Five Year Plan.

# CLASSIFICATION OF INDUSTRIES

## Classification of Industries as Per IPR, 1956



Schedule A  
(Comprises of  
Industries  
exclusively  
owned by the  
State)

Schedule B  
(Comprises of 12  
Industries, which  
would be  
progressively  
State-owned)

Schedule C  
(Comprises of  
remaining  
Industries which  
were to be in the  
private sector)



## Schedule A Industries

- ▮ **Defense Production** : Arms and ammunition, atomic energy.
- ▮ **Infrastructure** : Railways, air transport, iron and steel, heavy machinery.
- ▮ **Heavy Industries** : Heavy electrical plant, iron ore, manganese ore.
- ▮ **Other** : Aircraft, shipbuilding.





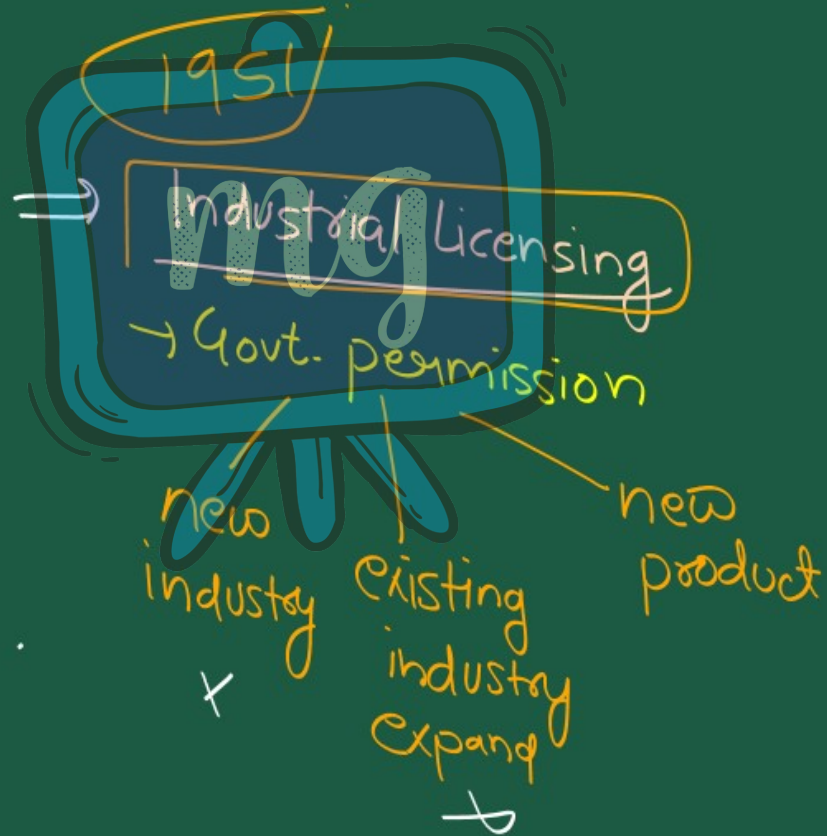
## Schedule B Industries

- ▮ **Non-ferrous Metals** : Aluminum and other non-ferrous metals.
- ▮ **Machine Tools** : Machine tools, electrical engineering, automobiles, and tractors.
- ▮ **Other** : Fertilizers, synthetic rubber, chemical pulp, road and sea transport.



## Schedule C Industries

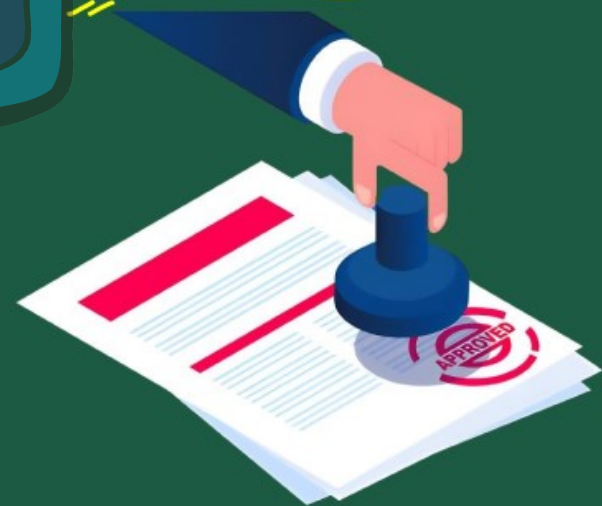
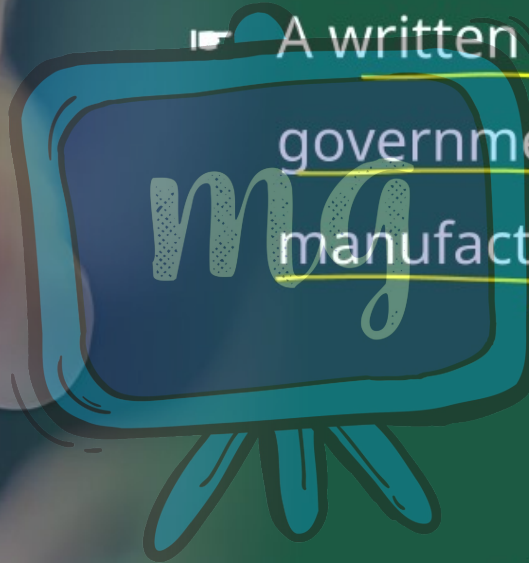
- ▮ All other industries not mentioned in Schedules A and B were categorized under Schedule C, which were open to the private sector.
- ▮ However, the state reserved the right to undertake any industrial production.





# INDUSTRIAL LICENSING


- A written permission from the government, to an industrial unit to manufacture goods.



➤ The Industries (Development and Regulation) Act, 1951 empowered the government, to issue licenses for :

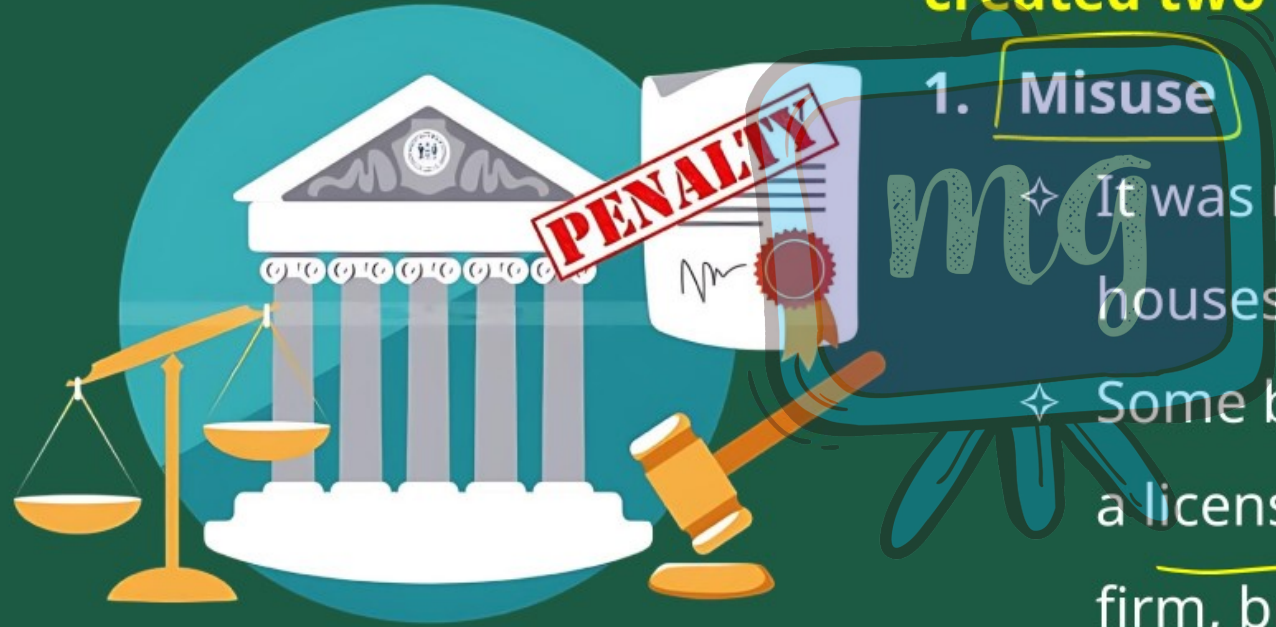
- ✦ Setting up of New Industries
- ✦ Expansion of Existing Industries
- ✦ Ones Diversification of Products



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- ❑ No new industry was allowed unless a license is obtained from the government.
  - ❑ It was easier to obtain a license if the industrial unit was established in an economically backward area.
  - ❑ The purpose of this policy was to promote regional equality.



## Excessive licensing by the government created two difficulties



### 1. Misuse

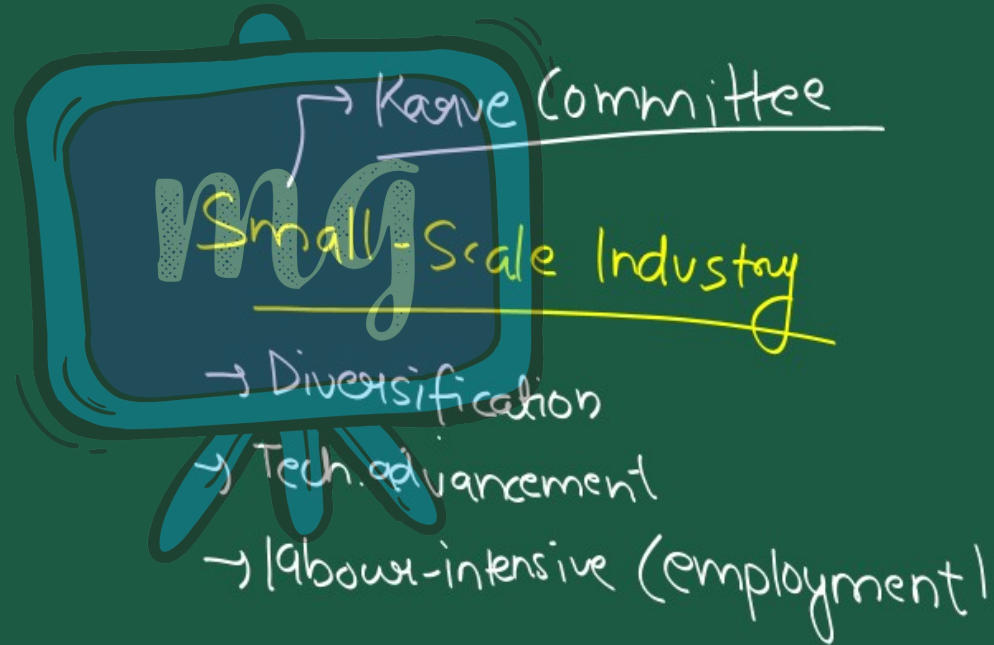
- ✦ It was misused by industrial houses.
- ✦ Some big industrialists would get a license, not for starting a new firm, but to prevent competitors from starting new firms.

## 2. Time consuming

- ✦ The Complex procedure for obtaining license was very time consuming.
- ✦ A lot of time was spent by industrialists in trying to obtain a license.







## SMALL-SCALE INDUSTRY

- In 1955, the Village and Small-Scale Industries Committee was created.
- The Karve Committee.
- The possibility of using small-scale industries for promoting rural development.



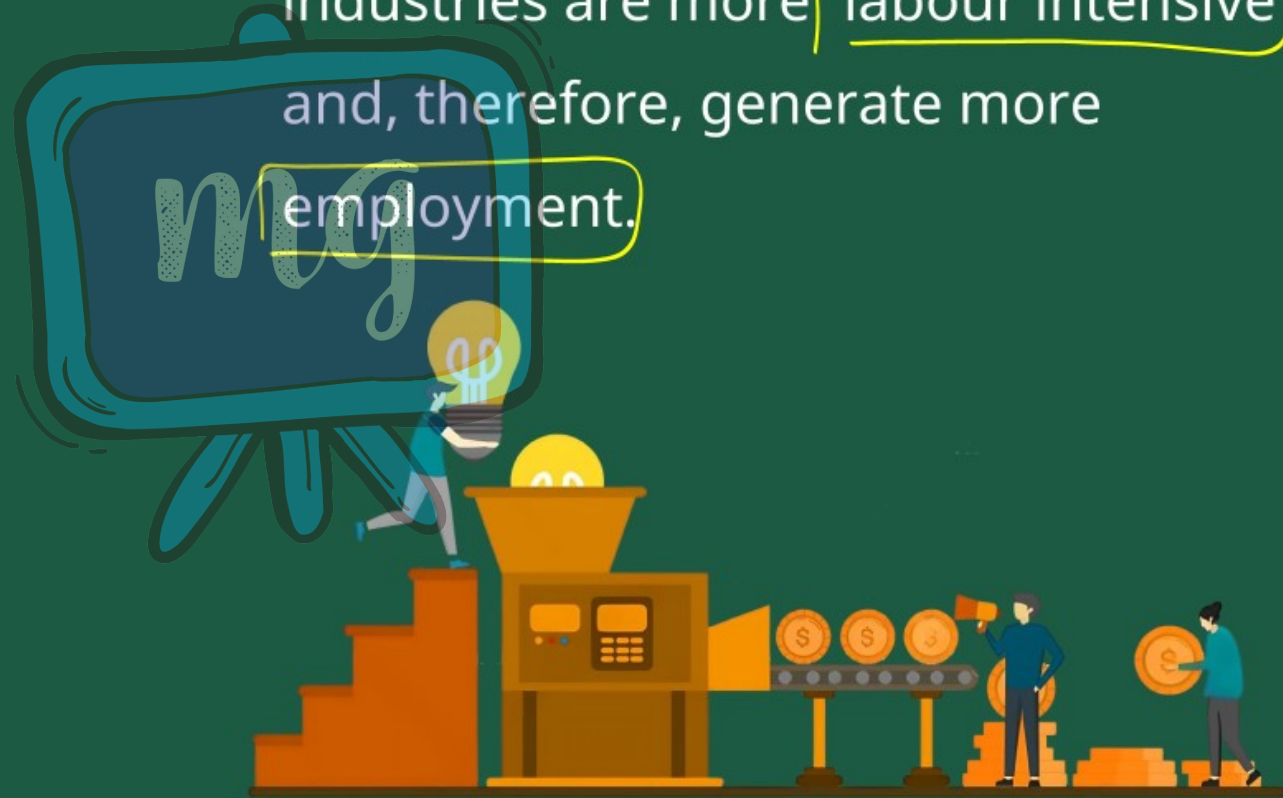


▮ A 'small-scale industry' is defined with reference to the maximum investment allowed on the assets of a unit.

▮ In 1950 a small -scale industrial unit was one which invested a maximum of rupees five lakh; at present the maximum investment allowed is rupees one crore.



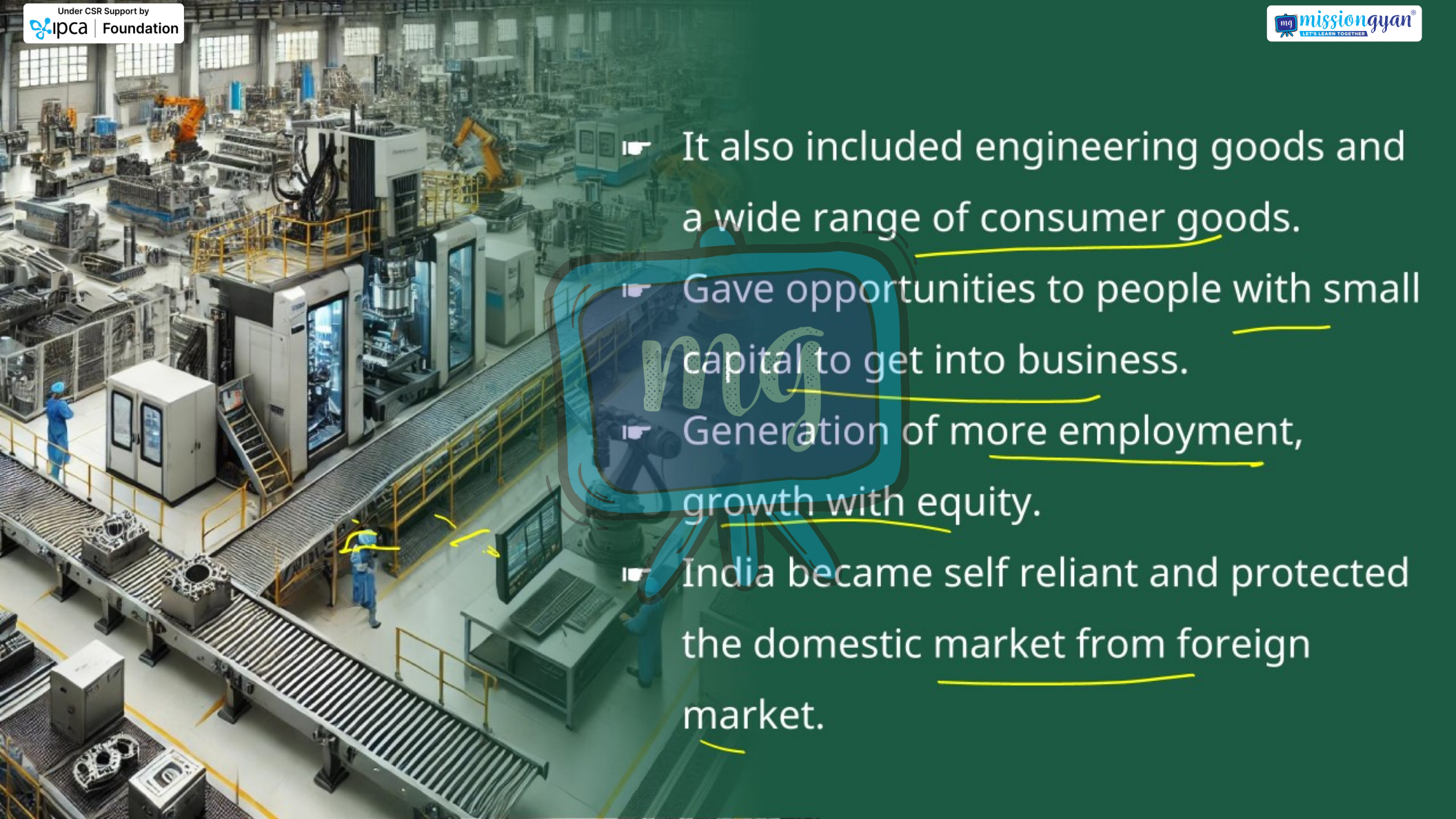
- It is believed that small-scale industries are more 'labour intensive' and, therefore, generate more employment.



## CRITICAL APPRAISAL OF INDUSTRIAL DEVELOPMENT (1950-1990)

- The proportion of GDP contributed by the industrial sector increased in the period from 11.8 % in 1950-51 to 24.6% in 1990-91.
- Indian industry was no longer restricted to cotton textiles and jute.



- 
- It also included engineering goods and a wide range of consumer goods.
  - Gave opportunities to people with small capital to get into business.
  - Generation of more employment, growth with equity.
  - India became self reliant and protected the domestic market from foreign market.



## Protection had 2 drawbacks –

### 1. Inward looking trade strategy

- ✧ Our policies were 'Inward oriented' and so we failed to develop a strong export sector.

### 2. Lack of competition

- ✧ Being a closed economy Indian market had no global competition, hence making the development slow.

# LEARNING OUTCOME



# ASSESSMENT

1

When was the second Industrial Resolution policy was adopted in India?



21 April 1955



21 April 1956



30 April 1956



27 April 1956

1948  
1956



# ASSESSMENT

2

Railways, Air transport and atomic energy comes under which schedule?



Schedule A (Progressively owned by Public Sector)



Schedule C (Owned by Private Sector)



Schedule B (Progressively owned by Public Sector)



Schedule A (Exclusively owned by Public Sector)

# ASSESSMENT

3

In 1955, Which small scale industry committee was established in India?

☒ A

Mahalnobis Committee

☒ B

IPR

☒ C

Karve Committee

☒ D

None of the Above

# ASSESSMENT



4

Why was the role of public sector increased in Industrial development of India post-independence?

- ☐ A Lack of Capital with Private Sector
- ☐ B Lack of incentives for Private sector
- ☐ C Objective of Social Welfare
- ☒ D All of the above