

Industry

production field in which mineral raw materials of Agricultural raw materials or any other goods are converted into another commodity is called industry in reality qualitative change in commodity have taken place in industry by the effort of human being with the help of machine.

The new economic policy

In July 1991 government of India introduce some changes in trade foreign exchange rate and find physical system the new economic policy is based on these issues.

Important matters of this policy are the liberalization privatization and globalization.

Need for industrial development in India

1. Increase in national income and per capita income.
2. Removal of disequilibrium in national economy.
3. Mutual dependency of agriculture and industrial development.
4. National security.

Meaning of industrial policy

All those procedures, principles, policies, rules and regulations which control the industrial undertakings of a country and shape the pattern of industrialisation is called industrial policy.

New industrial policy

The new industrial policy of the government of India was declared in 1991

Features

1. Abolition of industrial licensing system.
2. Reduction in periphery and role of public sector.
3. Abolition of the regulation of MRTP act.
4. Free entry of foreign capital and foreign technology.
5. Liberalization of locational policies of industries.
6. Separate policy was announced in August 1991 for the promotion of small scale industries.
7. Foreign capital investment limit was raised from 40 % to 51% in the high technology and high investment private industries.
8. Like the private enterprises PSUs were also placed under the purview of the **Board of Industrial and Financial Reconstruction (BIFR)**.

Industries whose licensing system is compulsory at present

At present licensing system is compulsory for 6 industries namely

1. Alcohol
2. Industrial explosives including matchboxes
3. Hazardous chemicals
4. Drugs and pharmaceuticals
5. Cigarettes and manufactured tobacco substitute
6. Defense equipment of all types.

Three Industries which are reserved for the public sector at present

1. Atomic energy.
2. Minerals specified in the schedule to the atomic energy (control of production and use) order 1953.
3. Railway transport.

Major defects//challenges in Indian industry

Unbalanced industrial structure:

India is still dependent on foreign imports for transport equipment, machineries(electrical and non-electrical), iron and steel, paper, chemicals and fertilizers, plastic materials etc.

Shortage of industrial raw material:

Agriculture is still the major source of industrial raw material and it is still dependent on the monsoon. Natural calamities like drought, famine, flood etc. badly effect production as well as the supply of industrial raw material.

License policy:

The license policy approving the site, capacity, type and expansion of industries is a typical example of of excessive state interference.

Regional concentration:

In India most of the industries are located in future selected areas such as metropolitan cities. This has created regional imbalance and regional disparity

Low demand:

There is low demand for industrial products in the country due to low consumption level weak purchasing power and poor standard of living.

High cost of production and low quality of goods:

Indian industries mostly survive on home demands. This has been given a number of concessions and even protection from foreign industries which has led to higher cost of production and low quality of goods.

Lack of infrastructure:

Energy crisis has a great bearing on the industrial development and production.

Industrial sickness:

In the private industrial sector a growing number of industrial units are becoming sick.

Industrial sickness

According to the Reserve Bank of India a sick industry is one which has reported a cash loss for the last year of its operation and likely to incur cash loss for the current year and following year.

The sick industrial companies act 1985 stated that those companies would be regarded as sick whose cumulative loss at the end of any particular financial year is greater than or equal to the net worth of the company.

Causes of industrial sickness in India

1. Deficient management
2. Underutilization of the capacity due to shortage of raw materials coal and power and transport
3. Obsolete machinery equipment and production techniques.
4. Uneconomical scale of production.
5. Faulty choice of products and processes.
6. Difficulties in selling the products.
7. Diversion of funds to new units under the same ownership
8. Conflict between different interest groups among the owners.

Example of two sick industries of India and two causes of their sickness.

Two sick industries in India:

1. Tyre corporation of India
2. IISCO.

Causes of industrial sickness

1. Inefficient management of the previous private proprietor before nationalisation.
2. The lack of modernization process after nationalisation.

