

Industrial Policy- 1956

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Introduction

- ▶ After the independence India adopted its first industrial policy in 1948.
- ▶ In 1950, the Constitution of India was enacted .
- ▶ In 1954, the Parliament of India had adopted the resolution of socialism proposed by the then Prime Minister Pt. Nehru.
- ▶ First five year plan was under implementation.
- ▶ Development of high industry and basic infrastructure was the main and urgent requirement.
- ▶ In April 1956, new Industrial Policy Resolution (IPR)was passed by the parliament of India.
- ▶ It is also known as 'economic constitution on India.

Features

- ▶ The accomplishment the Industrial Act in 1951, paved the way for the Industrial Policy Resolution of 1956, which was the first comprehensive statement of the strategy for industrial development in India. In 1956, capital was scarce and the base of entrepreneurship not strong enough. Hence, the 1956 Industrial Policy Resolution gave primacy to the role of the State to assume a predominant and direct responsibility for industrial development. A more socialistic orientation and public sector domination of the Indian economy were sought to be established by the Industrial Policy Resolution of 1956 which substantially expand the scope of the public sector by reserving the future development of 17 most important industries to the public sector.

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▶ The important objectives of Industrial Policy that was thought would help in generating more employment opportunities and in raising the standard of living of the masses were consisted of-

(i) To accelerate economic growth and boost the process of industrialization.

(ii) To develop heavy industries and machine making industries.

(iii) To expand public sector.

(iv) To reduce disparities in income and wealth and the removal of regional disparities.

through the development of regions with low industrial base.

(v) To build up a large and growing cooperative sector .

(vi) To prevent monopolies and the concentration of wealth and income in the hands.

of a small number of individuals.

Contd.

- ▶ 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. These categories were:
- ▶ Schedule A: those industries which were to be an exclusive responsibility of the state.
- ▶ Schedule B: those which were to be progressively state-owned and in which the state would generally set up new enterprises, but in which private enterprise would be expected only to supplement the effort of the state; and
- ▶ Schedule C: all the remaining industries and their future development would, in general be left to the initiative and enterprise of the private sector.

Contd.

- ▶ Schedule A Industries in the Industrial Policy Resolution 1956
- ▶ Arms and ammunition and allied items of defense equipment.
- ▶ Atomic energy.
- ▶ Iron and Steel.
- ▶ Heavy castings and forgings of iron and steel.
- ▶ Heavy plant and machinery required for iron and steel production, for mining, for machine tool manufacture and for such other basic industries as may be specified by the Central Government.
- ▶ Heavy electrical plant including large hydraulic and steam turbines.
- ▶ Coal and lignite.
- ▶ Mineral oils.

Contd.

- ▶ Mining of iron ore, manganese ore, chrome-ore, gypsum, sulphur, gold and diamond.
- ▶ Mining and processing of copper, lead, zinc, tin, molybdenum and wolfram.
- ▶ Minerals specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953.
- ▶ Air transport.
- ▶ Railway Transport.
- ▶ Ship Building.
- ▶ Telephones and telephone cables telegraph and wireless apparatus (excluding radio receiving sets).
- ▶ Generation and distribution of electricity.

Contd.-

- ▶ Schedule B Industries as per Industrial Policy Resolution 1956
- ▶ All other minerals except 'minor minerals' as defined in Section 3 of the Minerals Concession Rules 1949
- ▶ Aluminum and other non-ferrous metals not included in Schedule A
- ▶ Machine tools
- ▶ Ferro-alloys and tool steels
- ▶ Basic and intermediate products required by chemical industries such as the manufacture of drugs, dye-stuffs and plastics
- ▶ Antibiotics and other essential drugs

Contd.

- ▶ Fertilizers
- ▶ Synthetic rubber
- ▶ Carbonization of coal
- ▶ Chemical pulp
- ▶ Road transport
- ▶ Sea transport

Contd.

- ▶ Although there was a category of industries left to the private sector (Schedule C above), the sector was kept under state control through a system of licenses. In order to open new industry or to expand production, obtaining a license from the government was a prerequisite. Opening new industries in economically backward areas was incentivised through easy licensing and subsidization of critical inputs like electricity and water. This was done to counter regional disparities that existed in the country. Licenses to increase the production were issued only if the government was convinced that the economy required more of the goods.

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- ▶ Fair and non-discriminatory treatment for the private sector, encouragement to village and small-scale enterprises, removing regional disparities, and the need for the provision of amenities for labor, and attitude to foreign capital were other salient features of the IPR 1956.

Sources – various websites