Industrial Economics

QUES- 1 What is industrial economics ,write down the characterstics of industrial economics.

ANS-Industrial economics studies the various manifestations of the objective economic laws of socialism in industry and devises economic management systems and techniques designed to increase efficiency and improve the quality of performance in all the branches and units of industrial production. Industrial economics includes the economics of individual branches (including the coal, oil refining, natural gas, chemical, and food sectors, light industry, power generation, metallurgy, and machine building); each of these subdivisions of economics examines the economic designation of products, material and technical base, and personnel makeup of the particular branch, as well as interbranch relations and branch differences with respect to fixed capital stock, circulating productive capital, makeup of production costs, and types of enterprises (including differences in size, level of specialization, location, and organization of labor and production).

The complexity of production activities of modern industrial enterprises has given rise to a separate scientific discipline known as enterprise economics (”the organization, planning, and management of the enterprise”). Enterprise economics explores the problems pertaining to the economic operations of the enterprise, or association, and to the state’s guidance of its activity, and it studies rational methods of combining all elements of the production process toward their optimum utilization.

Industrial economics is related to several allied fields of knowledge—namely, national economic planning, statistics, labor economics, economic geography, finance and credit, and pricing—as well as to the technical and mathematical sciences.

Ques-2what do you understand economic growth through industrialization.

Ans-**The Role of Industrialization in the economic development of India!**

Industrialization refers to a process of change in the technology used to produce goods and service. According to Wilbert Emoore and G. R. Madan, it is a much broader process of economic development which has in view the integrated development of all other sectors, i.e. agriculture, power, transport and other services. Industrialization has a major role to play in the economic development of the under developed countries.The role of industrializtion in the development of country can be analysed as follows:

i. Increase in per capita income.
ii. Growth in international trade
iii. High level of investment
iv. Generation of employment
v. Meets the requirements of people

i. Growth of Infra structure:

Rapid industrial growth has resulted in the expansion of infrastructural facilities. The development of modern industries has stimulated the growth of banking, insurance, commerce, shipping, air services etc.

ii. Growth of science and technology:

Thus our economy is based on industrialization to a large extent.

Industrial Policy before 1991:

India started her quest for industrial development after independence. The industrial policy resolution of 1948 marked the beginning of the evolution of Industrial policy.

Features of industrial policy 1948:

i. The industrial policy resolution of 1948 contemplated a mixed economy reserving a sphere for both public and private sector.

ii. The industries were divided into four broad categories viz:

a. Defence industries and control of atomic energy. The ownership and management of these industries was the exclusive monopoly of the Central Government.

b. Coal, Iron and steel, ship building, telephone and telegraphs were to be owned by the state.

c. Basic industries—Fertilizers electron chemicals, non- ferrous metals woollentextiles, minerals etc. were subject to the regulation of Central Government.

d. Remaining industries other than the above mentioned were open to the private sector.

Industrial Policy 1956:

After 1948 significant developments took place in India. Parliament accepted the socialist pattern of economy.

It facilitated the fresh statement of industrial policy.

Provisions of 1956 Policy:

i. New classification of industries: Schedule A industries: Exclusive responsibility of the state.

Schedule B: State owned industries, but the private enterprises could supplement the effort of the state.

Schedule C: All the remaining industries which could be owned by private sector.

ii. Fair and non-discriminatory treatment of Private sector.

iii. Encouragement to village and small scale industries.

iv. Removing regional disparities.

v. Provision of amenities for labour.

Industrial Policy 1977:

In 1977 the Congress Party was thrown out and Janata Party assumed power, new Industrial Policy was introduced to make radical changes in the existing policy.

Provisions of 1977 Industrial Policy:

i. Development of small scale sector. Small scale sector was classified into three categories Viz:

a. Cottage and household industries.

b. Tiny sector with less than 1 lakh investment.

c. Small scale sectors with investment upto 10 lakhs.

ii. District industrial centres were to setup in each district to support small scale and cottage industries.

iii. Programmes to enlarge the areas of operation of Khadi and village industries.

iv. Special arrangements for the application of technology to improve the productivity of small and village industries.

v. Large scale sectors should devise programme for small scale and village industries.

vi. Approach towards sick units should be selective and public funds should be pumped into sick units.

vii. Framing policies encouraging worker's participation in management.

Industrial policy 1980:

It was announced by Congress (I). The objective of this policy was to strengthen the economic infrastructure Features:

i. Socio-economic objectives:

a. Optimum utilisation of installed capacity.

b. Maximising production

c. Higher productivity

d. Higher employment generation

e. Correction of regional imbalance

f. Preferential treatment to agro-based industries.

g. Promoting economic federalism.

ii. Revival of the economy

iii. Effective operational management of the Public sector.

iv. Integrating industrial development in the private sector by promoting the concept of economic federalism.

v. Promotion of industries in rural areas.

vi. Removal of regional imbalances.

vii. Industrial sickness and state policy.

The Industrial policy stated that industrial units found guilty of mismanagement leading to sickness would be dealt firmly. All the above industrial policies recognised the need for securing participation of foreign capital and enterprise. But there was no encouragement for foreign ownership and control. These policies could not meet the requirements of liberalised economy and foreign investments. Hence the new policy was framed in 1991.

Features of 1991 Industrial Policy:

1. Structural reforms:

With the introduction of new industrial policy a substantial programme of deregulation has been undertaken. Industrial licensing has been abolished for all items except for a short list of six industries, viz.:

i. Distillation of alcoholic drink

ii. Cigars and Cigarette.

iii. Aerospace and defence equipments.

iv. Industrial explosives.

v. Ha zardous chemicals.

vi. Drugs and Pharmaceuticals.

MRTP Act has been amended in order to eliminate the need to seek prior government approval for expansion of the present industrial units and establishment of new industries.

A significant number of industries had been reserved for the public sector. Some areas reserved for the Public sector are:

i. Arms and ammunition.

ii. Atomic energy

iii. Defence air craft

iv. Railway transport.

2. Foreign Direct investment:

The government has been committed to promoting accelerated growth the industrial sector. The role of foreign direct investment as a means to support domestic investment for achieving a higher level of economic development. FDI benefits domestic industry as well as the Indian consumer by providing opportunities for technological upgradation access to global managerial skills and practices etc.

To reduce delays, a simplified approval mechanism for FDI proposals has been put in place via:

i. Automatic approval by RBI to specified industries.

ii. Other proposals which do not conform to the guide lines for automatic approval are considered by foreign investment promotion Board (FIPBJ. The FIPB makes recommendations to the government.

3. Major initiatives:

The following initiatives have been taken:

(a) Delicensing of some industries Viz:

i. Coal and lignite

ii. Petroleum and its distillation

iii. Sugar industry

iv. Bulk drugs.

(b) Foreign equity upto 100% in

i. Power sector

ii. Electric generation

(c) Requirement of prior approval by RBI for bringing FDI/ NRI/OCB investment.

(d) The RBI has delegated powers to regional office.

(e) Scope for private sector: The number of industries reserved for private sector has been reduced and entry level barriers have been removed.

(f) Foreign exchange rate policy has been changed. Restriction on current account transaction has been removed.

(g) Integration with global economy. Industrial policy has brought reforms in related areas such as export, import etc. Tariffs have been reduced on imports.

Critical Analysis of New Industrial Policy:

1991 policy has a greater impact on Indian economy and society. It has positive as well as negative impact which may be summed up as follows:

i. Research and development:

Creativity and innovation has become the order the day. Knowledge is updated by constant research and development. Industries are concentrating on research and development to bring out creativity in product design.

ii. Quality:

Quality aspect has gained a lot of significance. The concept of quality has undergone a significant change. Quality is not something which is determined by the quality control department. Rather it is to be judged by the customer. The focus is on total quality which is to be maintained at all levels rights from the manufacture of goods till it reaches the customer.

iii. Infra structure:

On account of new industrial policy, there is extensive growth of infra structure such as Transport, banking, communication etc.

iv. Free flow of foreign capital on account of FDI.

v. Employment opportunities in MNCs

vi. Increase in the standard of living.

vii. Implementation of better technology.

Negative impact of new industrial policy:

i. Tough competition for Domestic industries.

ii. Opposition from trade unions.

iii. Unemployment

iv. Indiscriminate use of natural resources of domestic country by MNCs.

Ques-3