

What are the features of New industrial policy of 1991?

The New Industrial Policy of 1991 comes at the center of economic reforms that launched during the early 1990s. All the later reform measures were derived out of the new industrial policy. The Policy has brought comprehensive changes in economic regulation in the country. As the name suggests, these reform measures were made in different areas related to the industrial sector.

As part of the policy, the role of public sector has been redefined. A dedicated reform policy for the public sector including the disinvestment programme were launched under the NIP 1991. Private sector has given welcome in major industries that were previously reserved for the public sector.

Similarly, foreign investment has given welcome under the policy. But the most important reform measure of the new industrial policy was that it ended the practice of industrial licensing in India. Industrial licensing represented red tapism.

Because of the large scale changes, the Industrial Policy of 1991 or the new industrial policy represents a major change from the early policy of 1956.

The new policy contained policy directions for reforms and thus for LPG (Liberalisation, Privatisation and Globalisation). It enlarged the scope of private sector participation to almost all industrial sectors except three (modified). Simultaneously, the policy has given welcome to foreign investment and foreign technology. Since 1991, the country's policy on foreign investment is gradually evolving through the introduction of liberalization measures in a phasewise manner.

Perhaps, the most welcome change under the new industrial policy was the abolition of the practice of industrial licensing. The 1991 policy has limited industrial licensing to less than fifteen sectors. It means that to start an industry, one has to go for license and waiting only in the case of these few selected industries. This has ended the era of license raj or red tapism in the country. The 1991 industrial policy contained the root of the liberalization, privatization and globalization drive made in the country in the later period.

The policy has brought changes in the following aspects of industrial regulation:

1. Industrial delicensing
2. Deregulation of the industrial sector
3. Public sector policy (dereservation and reform of PSEs)
4. Abolition of MRTP Act
5. Foreign investment policy and foreign technology policy.

1. Industrial delicensing policy or the end of red tapism:

The most important part of the new industrial policy of 1991 was the end of the industrial licensing or the license raj or red tapism. Under the industrial licensing policies, private sector firms have to secure licenses to start an industry. This has created long delays in the start up of industries. The industrial policy of 1991 has almost abandoned the industrial licensing system. It has reduced industrial licensing to fifteen sectors. Now only 13 sector need license for starting an industrial operation.

2. Dereservation of the industrial sector:

Previously, the public sector has given reservation especially in the capital goods and key industries. Under industrial deregulation, most of the industrial sectors was opened to the private sector as well. Previously, most of the industrial sectors were reserved to the public sector. Under the new industrial policy, only three sectors- atomic energy, mining and railways will continue as reserved for public sector. All other sectors have been opened for private sector participation.

3. Reforms related to the Public sector enterprises:

Reforms in the public sector were aimed at enhancing efficiency and competitiveness of the sector. The government identified strategic and priority areas for the public sector to concentrate. Similarly, loss making PSUs were sold to the private sector. The government has

adopted disinvestment policy for the restructuring of the public sector in the country. at the same time autonomy has been given to PSU boards for efficient functioning.

4. Foreign investment policy: Another major feature of the economic reform measure was it has given welcome to foreign investment and foreign technology. This measure has enhanced the industrial competition and improved business environment in the country. Foreign investment including FDI and FPI were allowed. Similarly, loan capital has also introduced in the country to attract foreign capital.

5. Abolition of MRTP Act:

The New Industrial Policy of 1991 has abolished the Monopoly and Restricted Trade Practice Act. In 2010, the Competition Commission has emerged as the watchdog in monitoring competitive practices in the economy.

The industrial policy of 1991 is the big reform introduced in Indian economy since independence. The policy caused big changes including emergence of a strong and competitive private sector and a sizable number of foreign companies in India.