

# Periodic Research

## Impact of Industrial Policies on Development of Specific Indian Industries



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#### Abstract

In India large number of Industries have been established through private, public and joint partnerships. It has been observed that based on various Industry mix, geographical locations growth of Industries is different in different sectors. The need of the hour is that Industrial policy impetus should come up to expectation of people and instrumentalities devised to co-opt these expectations through development of Optimal Industrial ecosystem in the country. This study critically analyzed different industries on set parameters to understand impact of industrial policy on different sectors. Suggestions are given for emergence of 'Industrially developed equitable and inclusive New India'.

**Keywords:** Industrial policy, Economic reforms, Industrial Licensing, Liberalization, Foreign Investment Policy, Industrial Growth and Development, Performance, Manufacturing, Industrialization, Globalization

#### Introduction

In developing country like India, Industrial development has been considered as major growth engine of nation. Industries play a major role in economic transition of any country. Government has also made many changes in its Industrial policy with specific requirement of industry. The Industrial development in India started during British Era. After Independence it took phase wise development from 1950-1965, 1965-1980, 1980-1991 and than post 1991 reforms came into existence. The Indian industrial sector underwent significant changes as a result of the economic liberalisation in India economic reforms of 1991, which removed import restrictions, brought in foreign competition, led to the privatisation of certain public sector industries, liberalised the FDI regime, improved infrastructure and led to an expansion in the production of fast moving consumer goods. Post-liberalisation, the Indian private sector was faced with increasing domestic as well as foreign competition, including the threat of cheaper Chinese imports. It has since handled the change by squeezing costs, revamping management, and relying on cheap labour and new technology. With strong growth drivers including favourable demographic profile, a skilled workforce, an emerging middle class, a strong entrepreneurial culture, rising productivity, a resilient private sector, India has immense potential which is still unexplored. Government is regularly updating its policies & adopting new strategies for enhancing industrial development in India, Still it has been observed that different sectors have different growth graphs.

#### Review of Literature

Satyaki Roy, (2013) analyze the structural infirmities in industrial clusters in India, which could be typical of any of the developing countries and sharply in contrast to European success stories. Blending theory and empirical material, it provides a middle ground between the two extremes of a uniform assuming 'one size fits all'; and a specific policy based on individual cases.

Small Scale Industries Development Bank of India (SIDBI) (2010), report explains that Government Industrial policies are promoting MSME through various incentives and subsidies. The main aim for designing an industrial policy is that MSME can compete with large sector easily. MSME sector suffers from changing environment. It is highly a non homogeneous sector in terms of product range, capacity utilization and employment etc. Therefore, polices are needed in a different perspective.

UNIDO's Strategic Support (2011) Governments should remove obstacles to industrial development and correct market failures. They should not favour specific manufacturing activities. Achieving sustainable prosperity for all requires a broad consensus about development objectives. The new industrial policy should be interactive. It requires institutionalized, sustained cooperation among all key stakeholders in industrial development .

Department of Industrial Policy & Promotion (Annual Report 2017-18) In order to bring qualitative and quantitative change and to provide necessary impetus to manufacturing sector DIPP has notified National Manufacturing policy with objective of enhancing share of manufacturing in GDP to 25% and creating 100 million jobs over a decade.

Ministry of Commerce and Industries GOI (Annual Report 2017-18) The

Group of secretaries on commerce and industries recommended NITI AYOG to develop a comprehensive national plan for manufacturing clusters in collaboration with respective ministries and states.

### Objectives of the Study

To explore the impact of Industrial policy on development of specific Industries.

### Research Methodology

This research is combination of descriptive and exploratory work. It is set to identify the current situation of various sectors and effect of various strategies formulated by government to promote industrial development in the country. It is based on primary data collected from 450 industries and secondary data collected from past research, reports from various sources, websites, books, magazines, journals, online publications, newspapers, various government departments and associations.

The data has been collected through self-structured questionnaire based on likert's scale. 5 point likert's scale has been used to record the opinion of the respondents'. The questionnaire has several sections pertaining to various expected outcomes of the industrial development policy. Sections comprises 'ease of running business, employment generation, finance & foreign investment, technology innovation, overall industrial development, geographic development & industrial structure, public sector policy & MRTP act and arrangement for MSMEs. The reliability of the questionnaire was measured with the help of Cronbach's Alpha statistics

### Results & Findings

The current study included 9 different sectors viz. 'Agri & food processing, Automobiles, Real Estate & Infrastructure, Finance & Warehousing, Engineering & Capital Goods, Textile & Apparels, Healthcare & Pharmaceuticals, IT & ITES. Heavy Industries is studied along with them. Policy's arrangements or development indicators were measured on these sectors to understand how much each sector is getting benefited from current industrial policy. It also helped to understand the policy's most concerned sector for development. The below table displays the parameters based on which the analysis of each sector has been done

**Table 1.1**

Industry	Policy's Efforts (in %)
Agri& Food Processing	35.24
Automobiles	37.15
Real Estate & Infrastructure	33.57
Finance & Insurance	85.10
Logistics & Warehousing	46.53
Engineering & Capital Goods	32.62
Textile	32.32
Healthcare & Pharmaceuticals	33.97
IT & ITES	84.64
Heavy Industry	87.24

The above table 1.1 represents the industrial policy's attractiveness to each of the sectors included in this research to study. The policy's attractiveness has been measured through 8 different parameters, these parameters are the main features or provisions made in industrial policy of the country for overall development and promotion of industries. Each sector was analyzed on these 8 parameters and measured how attractive the current policy is for each sector. The description of the parameters are as below:

**Table 1.2**

Parameters	Description
Industrial Licensing & Ease of Running Industry	It covered efforts made to simplify the licensing procedure, simplification of documentation and permissions for running industry hustle free.
Employment Generation	It covered all aspects of employment generation through efficiently formulation and implementation of industrial policy
Finance and Foreign Investment	It covered special schemes, permissions and policies through which industrial policy attracted finance and foreign investments
Technology Innovation & Upgradation	It covered budgets, MOUs and commitments for technology innovation and upgradation in the industries
Overall Industrial Development	It covered composite efforts including all policies, procedures, mechanism of industrial development in the country
Geographical Development & Industrial Structure	It covered important steps taken under the industrial policy for geographical development for establishing industries
Public Sector Policy & MRTP Act	It covered special arrangements of minimizing public sector

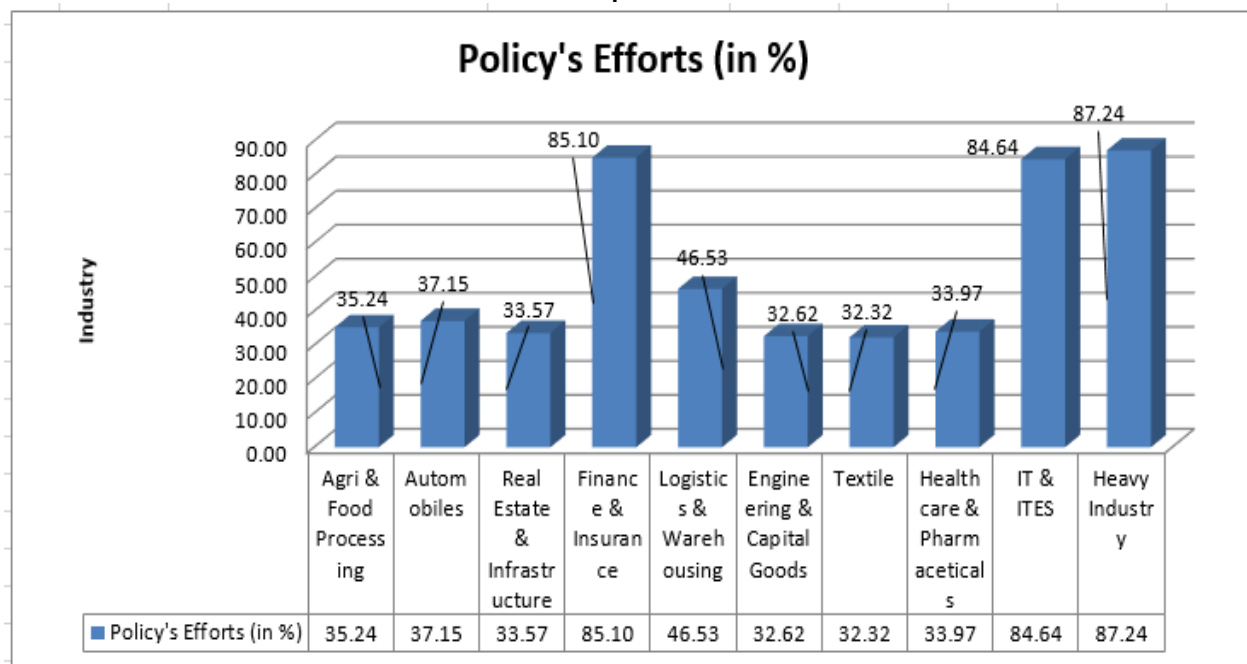
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	monopoly and promoting privatization
Special Arrangements for MSMEs	It covered all efforts made for the startups and development of MSMEs

The above discussed parameters in table 1.2 were studied in each sector with the help of

questionnaire. The industry experts and personals were asked their observations and experiences about industrial policy on these parameters. Based on their responses the study calculated the cumulative effect of industrial policy on industrial development and promotion for each sector.

Graph 1.3



The above graph 1.3 represents the pictorial form of policy's attractiveness result pertaining to each sector. The graphical presentation gives quick and easy view of result and simply the meaning of the analysis. With the reference to the above graph 4.2f it is observed that, each sector has different view regarding policy's usefulness. The result reveals that, 'Heavy Industry' is highly benefited through current industrial policy as the percentage obtained is 87.24 followed by 'IT & ITES' with 84.64 and 'Finance and Insurance' with 85.10 percent. These three sectors are highly benefited because the parameters taken in the industrial policy like employment generation, attracting investments, technology are more result oriented than MSMEs or small scale industries. Small enterprises generate less employment and contributes little to the country's overall development, hence, the industrial policy have primary focus on developing heavy and big industries comparing to small industries.

Another sector like 'Logistics & Warehousing' is the second highest (46.53%) category at which current policy concentrates. It is an integral part of business activities, big industries need facilities of 'logistics and warehousing' to commute their output to the target markets, therefore, government through its industrial policy trying to build efficient logistics facility and warehousing arrangements in the country. The sector scored 46.53%.

Other sectors like 'Agriculture & Food Processing, Automobile, Real Estate & Infrastructure, Engineering & Capital Goods, Textile' etc. have

recorded moderate efforts made by industrial policy for their development and promotion.

### Suggestions

With the deep analysis of country's industrial policy and perception of industry people the research could draw some suggestions for the 'Government and its Associated Departments'. Following suggestions are being given for emergence of 'Industrially developed equitable and inclusive New India'

1. Based on geographical, social, technical, economic and natural resources country should be divided in separate industrial zones to get maximum output from that area.
2. Skill based technical training should be integrated in industrial policy and should be imparted in the traditional education system.
3. Government has brought Business Reform Action Plan but because of multiplicity of laws and different Industrial policies in different states for land acquisition, labour regulation and taxes make the investment climate complex. The need of hour is to bring a National Industrial Policy acceptable to all states harmoniously for promoting ease of doing business.
4. Infrastructure is the key for success of any Industry. Government has to come up with more aggressive planning in Real Estate & Infrastructure to get Industries push in the right direction.
5. For making MSME units more competitive the investment limit in its definition should be

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increased so that they can invest in up gradation and there MSME status also remains, FDI limits in MSME should be increased, Limit of Collateral free loan should be increased and its practical implementation should be monitored. Reservation of MSME products in various departments should be increased and common government body should be made for promotion of there manufactured products overseas to increase exports.

6. Tax policies of government should be Industry friendly and homogenous for all states as done by government by introducing GST and should be amended from time to time as per requirement of Industry when required.
7. In the Digital India special package should be given for E-Commerce so that Industries go for it. Stand up India, Startup India & Skill India government policies should be closely supervised for its maximum outcome.

### Conclusion

It can be concluded that Indian industrial policy has different impact on different industries based on industrial structure, various Industry mix & geographical locations. Need of the hour is that Government should give equal weightage to Manufacturing as well as Service sector industries, with special emphasis on core area of focus. It should come up with practical beneficial schemes for underdeveloped geographies and industries with low potential so that an equitable development can be done with approach of inclusive growth.

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