INDUSTRIAL POLICY RESOLUTION, 1985 & 1986

- The main highlights of the policies are :—

ⓐ Foreign investment was further simplified with more industrial areas being open for their entries.

- The dominant method of foreign investment remained as in the past, i.e; technology transfer,
But now the equity holding of the MNC's in the Indian subsidiaries could be upto 49 percent with the Indian partners holding the rest of the 51 percent shares.

ⓑ The 'MRTP Limit' was revised upward to ₹100 crore – promoting the idea of bigger companies.

ⓒ The provision of Industrial licensing was simplified. Compulsory licensing now remained for 64 industries only.

ⓓ High level attention on the sunrise industries such as telecommunication, computerisation and electronics.

ⓔ Modernisation and the profitability aspects of public sector undertakings were emphasised.

ⓕ Industries based on imported raw materials got a boost.

(xiii) Under the overall regime of FERA, some relaxations concerning the use of foreign exchange was permitted so that essential technology could be assimilated into Indian industries and International standard could be achieved.

(xiv) The agriculture sector was attended with a new scientific approach with many technology missions being launched by the govt.

NEW INDUSTRIAL POLICY, 1991

- India was faced with severe balance of payment crisis by June 1991. Basically, in early 1990s there were inter-connected set of events, which were growing unfavourable for the Indian economy:

(i) Due to the Gulf War (1990-91), the higher oil prices were fastly depleting India's foreign reserves.

(ii) Sharp decline in the private remittances from the overseas Indian workers in the wake of the Gulf War, specially from the Gulf region.

(iii) Inflation peaking at nearly 17 per cent.

(iv) The gross fiscal deficit of the Central government reaching 8.4 per cent of the GDP.

(v) By the month of June 1991, India's foreign exchange had declined to just two weeks of import coverage.

- The financial support India received from the IMF to fight out the BOP crisis of 1990-91 were having a tag of conditions to be fulfilled by India.
- These IMF conditionalities ~~to~~ required the Indian economy to go for a structural re-adjustment.

* The major highlights of the policy are as follows:

(i) DE-RESERVATION OF THE INDUSTRIES

- The Industries which were reserved for the Central Government by the IPR, 1956, were cut down to only eight.

- At present there are only two industries which are fully or partially reserved for the Central government.

(a) ATOMIC ENERGY

(B) RAILWAYS

(ii) DE-LICENSING OF THE INDUSTRIES

- The number of industries put under the compulsory provision of licensing (belonging to Schedules B and C) as per the IPR, 1956) were cut down to only 18.

- Presently there are only five industries which carry the burden of compulsory licensing.

(a) Aero space and defence related electronics.

(b) Gun powder, Industrial explosives and detonating fuse

(c) Dangerous chemicals

(d) Tobacco, cigarette and related products.

(e) Alcoholic drinks.

(iii) ABOLITION OF THE MRTP Limit

The MRTP limit was Rs. 100 crore so that the mergers, acquisitions and take overs of the industries could become possible.

In 2002, a competition Act was passed which has replaced the MRTP Act.

(iv) PROMOTION TO FOREIGN INVESTMENT

- Indirect & direct foreign investment were encouraged.
- MNC's were allowed to set-up their firms in India in the different sectors varying from 26% to 100% ownership with them. ENRON and COKE being the flag bearers. The FDI started in 1991.
- The indirect form of foreign investment was called portfolio investment scheme in the company, which formally commenced in 1994.

FII having good track record are allowed to invest in the Indian stock / security market.

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(v) FERA REPLACED BY FEMA.

(vi) LOCATION OF INDUSTRIES

- classified into polluting and non-polluting categories and a highly simple provision deciding their location was announced:-
- Non-polluting industries might be set up anywhere.
- Polluting industries to be set up at least 25 kms away from the million cities.

(vii) COMPULSION OF PHASED PRODUCTION ABOLISHED.