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A Critical Study on The New Industrial Policy of India 1991

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Abstract:

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 e nded 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 phase wise manner.

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

- Industrial delicensing
- Deregulation of the industrial sector
- Public sector policy (dereservation and reform of PSEs)
- Abolition of MRTP Act
- Foreign investment policy and foreign technology policy.

Keywords: Privatization, Globalization and Liberalization

Introduction:

Before the arrival of the British rule, the Indian economy was industrially more developed and stronger than the western European economics, but when the British made India their colony, then the British government destroyed the Indian economy. Particularly the British government systematically damaged the Indian industrial base. As a result, India inherited a weak industrial base, under developed infrastructural facilities, and a stagnant economy at the time of independence. Immediately after attaining independence, the swadeshi Indian government convened an industry conference in December 1947 to make full use of the existing industrial capacity and to do rapid industrial development keeping in mind the needs of the Indian people. The conference was attended by representatives of the central and state governments, industrialists and workers. In this conference a tripartite agreement was made with a view to building better relations between employer and employee in which peace was proposed between employer and employee for three years. Apart from this, for the purpose of providing support in industrial development, the government gave some tax related exemptions to the industries in the budget of 1948-49 and the Constituent Assembly decided to set up the Industrial Finance Corporation. The government of India passed the proposal regarding Industrial Finance Policy in parliament in 1948 with the aim of clarifying its policies regarding industrial development. In 1949 the government clarified its policy in relation to foreign capital and assured that it would not be discriminated against foreign capital investment. All these efforts of the government of India had a good effect on industrial development and the index of industrial production increased by 17.4% in 1951 as compared to 1946 (Base 1946=100).

After independence, the Indian government laid special emphasis on institutional development in its economic and industrial policy and decided to develop the Indian economy into a mixed economy, where private proprietorship was allowed in a democratic political environment (Tendulkar and Bhavani 2004) whereas public sector organizations comprising of basic and heavy industries was assigned a relatively broader role. Levying multiple rigid controls over private investment the government often also determined the scale of operations, the location of new investment and even the technology to be used resulting in heavily regulated markets. As noted by Ahluwalia (2002) the industrial structure that evolved under this regime was highly inefficient and need to be supported by a highly protective trade policy leading to import substitution-driven industrialization. As a result of this, the performance of the Indian industrial sector become very dismal and by 1991, the Indian economy started grappling with a serious problem of adverse balance of payment. Ultimately the policy makers felt that Indian industrial policy should be redrafted and the Indian economy reconstructed on the model of outward – oriented open economy. As a result a large scale economic reform process was started in India in which it was decided to develop to Indian industrial sector as a market – based industrial sector. For this the policy makers put special emphasis on adopting market friendly trade and industrial policy, so that the process of industrialization can be started in the Indian economy at a rapid Pace. This unshackling of the economy resulted in the huge increase in India's rate of growth of GDP, from the so-called Hindu (Nehru-Mahalanobis) rate 3.00 to 3.50 percent during 1950-80 to nearly 6.00 to 7.00 percent over the last two decades to the 1980s and 1990s (Singh, 2008;p.2). The economic reform process contributed significantly to improving the performance of the Indian industrial sector as well as the entire economy, as a result the industrial sector began to improve its performance but slowly. Now the pace of unexpected fluctuations in the Indian industrial sector also slowed down and the economy slowly started strengthening. Moreover Jhabvala and Kanbar (2002,p.1) observed that the economic reform had enormous potential for growth and poverty reduction but there are at least three upsetting characteristics of the phenomenon that have emerged over the last two decades : technical change which is biased in favour of capital and skilled labour; increased vulnerability and exposure to economic risks; and a shift of economic power towards more mobile factors of production.

Brief Review of the Background of Indian Industrial Policy:

After the Second World War, India was one of the only non communist countries in the world that adopted industrial policy in an organized manner. The main objective of this industrial policy was to coordinate the investment decision between public sector and private sector and to minimize and also gradually eliminate the government control policy aimed at establishing certain strategic industries and firm under public and private ownership.

Again after independent the Indian industrial policy was integrated with the five year plan as a result the success and failure of the industrialization process dependent on the success and failure of the five year plans. Due to which the process of industrialization in India started to slow down which was heavily criticized by the neo-liberal critics. In order to accelerate the growth rate of the Indian economy and to accelerate the process of repaid industrialization in India, a new economic policy was adopted in the year 1991, abandoning the traditional industrialization policy, with special emphasis on liberalization, market orientation and deregulation. At the same time, the government's unnecessary interference in the industrial sector was limited under some special cases or eliminated and the policy of eliminating red tapismwas also adopted, that the people living in the Indian economy can have economic prosperity. The result of this new policy is that it started a sudden and steady jump in the growth rate of Indian GDP.

The Pre-Independence Period:

Before the British rule, the Indian economy was self sufficient economy in which various types of productive activities were carried out, in which agriculture, was one of the main productive activities of livelihood of the people living in the Indian economy. Indian economy was specially very popular in the worldwide market for its handicraft industries in cotton and silk textile, metal and precious stone work etc. But after the establishment of British rule in India, such an economic policy was adopted by the British ruler in which it was emphasized how to protect and promote the industrial units of England. We can say that the British government in its industrial policy laid more emphasis on providing security and convenience to the English economy rather than the development of the Indian economy. This industrial policy of the British government made India a supplier of raw materials and a consumer of goods manufactured by the British economy. The British government not only exploited and seized Indian economy through an excusive royal monopoly but also a hierarchical monopoly of European businessmen who were in control of external trade and much of the large- scale internal trade in collaboration with few Indian intermediaries, landlord and moneylenders.

This industrial policy of the British government made the process of Indian industrialization almost zero and the already established small and cottage industry in India was also almost shut down due to which huge amount of workers employed in it started becoming unemployed. As a result unemployment and poverty began to flourish around the Indian economy. Modern industrial units started establishing their root in India during the second half of nineteenth century in the form of cotton and jute textile mills, iron and steel industry among others. However British government never provided support for establishment and development of Indian companies in India and continued to import manufactured goods from England. Therefore **Mahatma Gandhi** started opposing goods manufactured and imported from England with a view to making the Indian economy self sufficient and stressed the development of Indian cottage industries, agriculture and agro-based industries, so that India could become a self-sufficient economy. During this period many modern industries started to be established and began the debut of new entrepreneurs in India of which Jamshedji Tata, Walchand Hirachand, Lala Sriram, GD Birla was the prominent. With a view to control the activities of these Indian industrialist, the British government adopted a variety of control policy over them but the business of these entrepreneurs grew day by day and continued to earn huge profit. Due to the industries of these industrialists the share of production of Indian firms in the global production sector started increasing. Due to which the level of employment in India also started increasing. As a result, per capita income levels also started improving.

This is visible from Table 1, where India’s rate of industrial growth was well above the world average in 1938, even about a decade before independence.

TABLE 1: INDEX OF MANUGACTURING PRODUCTION IN 1938

COUNTRY	INDEX
SOUTH AFRICA	1067.30
USSR	857.30
FINLAND	300.10
INDIA	239.70
NEW ZELAND	227.40
DENMARK	202.10
AUSTRALIA	192.30
WORLD AVERAGE	182.70
NORWAY	169.20
CANADA	161.80
USA	143.00
UK	117.60
FRANCE	114.60
SWITZERLAND	82.40
SPAIN	58.00

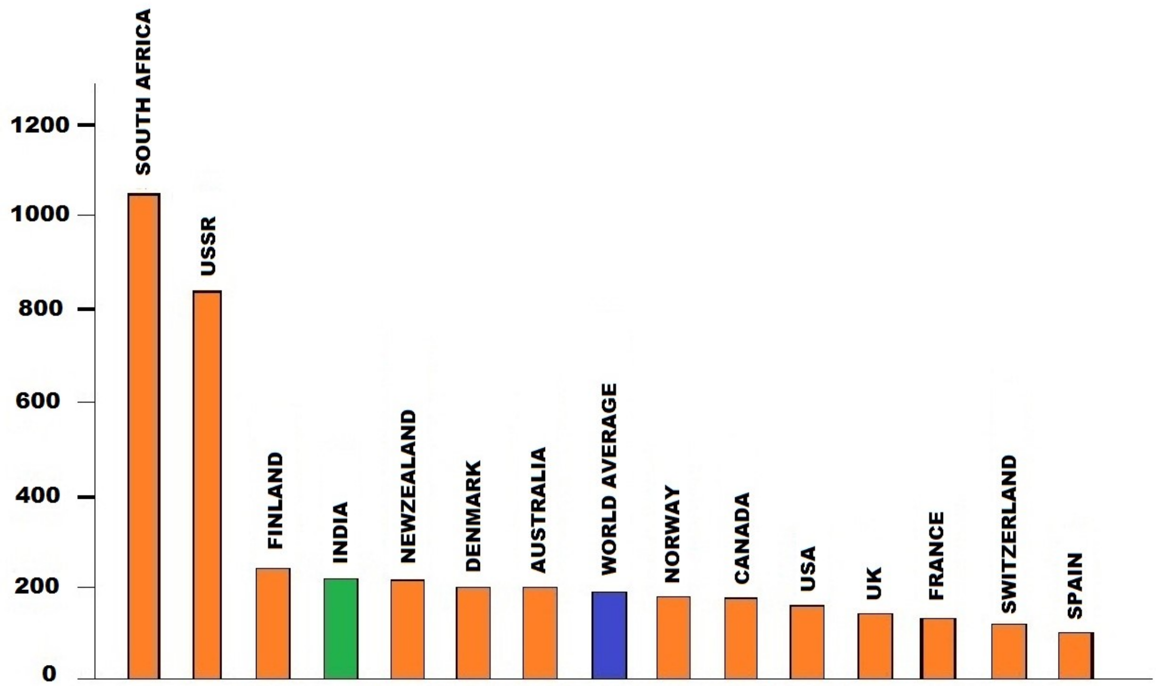

FIGURE 1: INDAIA'S MANUFACTURING POSITION IN THE WORLD (1938)

The Mahalanobis Era (Planned Development Period 1948-1980):

After India gained independence in the year 1947, Indian economist and politicians adopted an ambitious policy of industrialization aimed at accelerating the rate of rapid industrialization and economic growth in India, based on the concept of socialist economy, with the main objective of making India self-reliant, which was based on the lines of soviet union. The National Planning Committee was established in India in 1938 under this industrial policy. Chairman of this committee was made to Pandit Jawaharlal Nehru who recommended that the industries that are very important for India, their entire control or their entire ownership will be handed over to the hands of the government. Thus in economic planning, it was insured that by improving the socio-economic situation of India, the entire economy should be strengthened and the economy should be forwarded on the path of development. Thus, the Indian economy has been provided a democratic structure which was based on the structure of the mixed economy. The industrial strategy adopted was inspired by the Mahalanobis Model, which was essentially of a closed economy, strongly biased towards capital goods on the assumption that it would induce higher investments in other sectors through forward and backward linkages (Singh,Jadhav,2008,05). Thus we can say that in the central planning of economic reforms, it has been included that such industries which are key industries for Indian economy should be kept in the state ownership and the process of industrialization should be increased in such a way that the objective of the import subsidy can be fulfilled and India's internal capacity could be increased. At the same time, with a view of achieving the objective of a welfare economy, the distribution chain was also planned in such a way that the benefits of economic development could be equitably distributed to all level of society.

Industrial Policy Resolution, 1948:

The first Industrial Policy Resolution announced in 1948, in which special emphasis was laid on the idea of industrial growth and development. In this resolution, special emphasis was given to continuous increase in production and limited area of operation were divided between state owned industrial units and private sector units. The resolution grouped the industries and the firm into four categories (GOI, 2002,p146), namely:

- Those exclusively owned by the government, e.g., arms and ammunition, atomic energy, railways, etc.; and in emergencies, any industry vital for national defense.

- Key or basic industries, e.g., coal, iron and steel, aircraft manufacture, ship building, telephone, telegraphs and communications equipment etc. The undertakings already existing in this group were promised facilities for efficient working and 'reasonable' expansion for a period of ten years.
- 18 specified industries were to be subject to the government's control and regulation in consultation with the then provincial governments.
- The rest of the industrial field was, more or less, left open to the private sector.

Industrial Development and Regulation Act (IDRA), 1951:

One of the main objectives of implementation of IDRA, 1951 was to introduce licensing system in India. Among the main provisions of this act was that whenever an industrial unit is to be established or they are to be expended, it will be necessary to get license from the concerned department or government. The overall purpose of industrial licensing was to channelize and allocate all private resources as per priorities determined in the development plans. Thus we can say that the basic objective of this act was to allocate more and more resource to the production of consumer product and capital goods. By this act, the government had complete control over:

- Approval of any proposal on capacity, location, expansion, manufacture of new product.
- Approval of foreign exchange expenditure on the import of plant and machinery.
- Approval for the terms of foreign collaboration.

Industrial Policy Resolution 1956:

In the year 1956 there was a huge reduction in the amount of capital inside the economy, due to which the base of entrepreneurship was very weak. Therefore through this act, the state was entrusted with the important responsibility to speed up the pace of economic development with the view of establishing a society based on socialist system the scope of public sector was expended by this act. This resolution was divided industries into three categories:

- Category 'A' industries – All basic and strategic industries under public sector (7 industries)

- Category 'B' industries – Both private and public sector were included which was called the joint sector (12 industries)
- Category 'C' industries – All remaining industries

Monopolies Commission, 1964:

In April 1964, the government of India formulated a Monopolies Inquiry Commission to inquire into the existence and effect of concentration of economic power in private hands (GOI,2002:p.148).The commission had responsibilities to look into the prevalence of monopolistic and restrictive practices in important sectors of economic activity also the factors responsible for monopolistic emergence and its legal solutions.

Industrial Licensing Policy Inquiry Committee 1969:

In July 1969, The Industrial License Inquiry Committee was appointed, whose main aim was to investigate what are the drawbacks of the licensing policy and also its shortcomings in the implementation. This committee had to ensure that whether industries are establishing and developing according to the licensing policy? Whether investment are taking place in priority industries?

The Industrial Policy Statement 1973:

The purpose of this statement was to bring changes in the industrial structure, from this point of view to prevent intense concentration of large industrial houses in the industrial activity and to promote the establishment of small and medium industries in the industrial area, to increase the competitiveness in them so that employment can be created in the economy and on the other hand supply of consumer goods can be in greater quantity.

Industrial Policy Statement 1977:

The main objective of this policy statement was also to promote small and cottege industries in rural areas and small towns. Under this policy, small and cottage industries were classified into three groups viz cottage and household sector, tiny sector and small scale industries, large scale industrial sector was proposed to do business in the area of capital goods, basic industries, high technology industries and other industrial sector outside from this list were reserved for small sector. This policy put more emphasis on declining the emergence of labour unrest though the policy government encouraged the worker's participation in management from workshop floor level to board level.

Industrial Policy Statement 1980:

The industrial policy statement 1980 mainly focused on following four points:

- To promote the concept of economic federation,
- To enhance the efficiency of the public sector,
- To reserve the trend of industrial production of the past three years. And
- Reposed its faith in maintaining the continuity of the MRTP Act and FERA

TABLE 2: RATE OF GROWTH OF INDUSTRIAL PRODUCTION (USE BASED) DURING 1981-1991

(Percent per annum)

Sl. No.	Use Based or Functional Classification	1981-1985	1985-1990	1990-1991
1	Basic Goods	08.7	07.4	03.8
2	Capital Goods	06.2	14.8	17.4
3	Intermediate Goods	06.0	06.4	06.1
4	Consumer Goods	05.1	07.3	10.4
	(a) Durables	14.3	11.6	14.8
	(b) Non-Durables	03.8	06.4	09.4
General Index (IIP)		06.4	08.5	08.3

Source: Computed from Government of India, Hand Book of Industrial Statistics, 1992, Table 50, p.50 and Table 54, p.155

Industrial Policy 1991:

On 24 July 1991 the government of India announced the new industrial policy with this goal to rectify the weakness and distortion of Indian industrial structures that had developed in 4 decades, to grow industrial efficiency equal to international level and to speed up industrial growth.

Provisions of Industrial Policy 1991:

- In order to eliminate government monopoly the 17 industrial units which were reserved for public sector (as per 1956 policy) were now reduced to only 8 industrial units.

- The Industrial Licensing System has been scrapped under this policy except 18 selected industries. By the year 1999, the number of 18 industries reserved for the public sector was reduced to six.

- "This was the first industrial policy in which foreign companies were allowed to have majority stake in India. In 47 high priority industries , up to 51% FDI was allowed. For export trading houses FDI up to 74% was allowed. Today, there are numerous sectors in the economy where government allows 100% FDI, 36 industries were placed under the automatic approval route for direct foreign investment up to 51% foreign equity. It was promised that there will be no bottlenecks of any kind in this process provided that foreign equity covers the foreign exchange requirement for imported capital goods.
  A promise to carry out some amendments in FERA (1973) was also made (the act was later replaced by FEMA in 1999). NRIs were allowed to 100% equity investments on non-repatriation basis in all activities except the negative list. A provision was made that in cases where imported capital goods are required, automatic clearance is given, provided there is foreign exchange availability is insured through foreign equity. The government also established a special empowered board called Foreign Investment Promotion Board (FIPB) to negotiate with international firm and approve FDI in selected areas" source: GKTODAY

- With the objective of increasing the technical level in the industrial sectors within the Indian economy, automatic permission was given for foreign technologyagreements in high priority industries.

TABLE: 3 AVRAGE ANNUAL GROWTH RATE OF INDUSTRIAL PRODUCTION (USED – BASED) IN PRE-REFORM DECADE AND POST-REFORM PREIOD

Sl. No	USE BASED OR FUNCTIONAL CLASSIFICATION	1980-1981-TO1991-1992	8th PLAN 1992-1993 TO1996-1997	9th PLAN 1997-1998 TO 2001-2002	10th PLAN 2002-2003 TO 2006-2007	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	**Basic Goods**	07.4	06.8	04.1	06.6	10.3	07.0	02.6	07.2
2	**Capital Goods**	09.4	08.9	04.7	14.4	18.2	18.0	07.3	19.2
3	**Intermediate Goods**	04.9	08.5	05.8	06.2	12.0	08.9	-1.9	13.6
4	**Consumer Goods**	06.0	06.6	05.5	09.6	10.1	06.1	04.7	07.3
	(a) Durables	10.8	13.4	10.7	08.8	09.2	-1.0	04.5	26.2
	(b) Non-Durables	05.3	04.8	03.8	10.0	10.4	08.5	04.8	01.3
General Index		7.8	7.4	5.0	8.2	11.5	8.5	2.8	10.5

Source: (i) For coloum (2) , Government of India, Economic Survey, 2000-2001, Box 7.1, p.130 (ii) For coloum (3) RBI, Hand Book of Statistics on Indian Economy 2000, 199, p.409 and (iii) For other coloum RBI, Hand Book of Statistics on Indian Economy 2000-2010, p.412

Literature Review:

Statement of Industrial Policy, ministry of Industry, Government of India, July 24, 1991 - In the statement on Industrial Policy by the ministry of industry, Government of India, it was stated that the main objective of Indian Industrial Policy would be to achieve progressive reduction of social and economic disparities, the rapid agricultural and industrial development, removal of poverty, rapid expansion of opportunities for gainful employment, attainment of self reliance. Inspired by these objectives, the Industrial Policy 1991 of India was formulated.

Chinmoy Chatterjee,(1991) - After evaluation of industrial in this paper it was found that the Industrial Policy of India basically places special emphasis on advancing the private sector and ignores the public sector, Thus, in conclusion it can be said that the new industrial policy makes us highly dependent on the private sector. As a result of which the social responsibility of the industries was completely ignored. Again this research paper also revealed that in this industrial policy there is no special emphasis has been given on the management of human resources, due to which they have disregarded under this industrial policy. It is also cleared from the analysis that removal of government control would lead to indiscipline in industries, which would increase the risk of imbalance of the economy and some large business houses may have centralization of economic powers and resources.

Ahmad Irfan, (1994) - Two dimension of industrial policy are mentioned in the thesis "one is the philosophy of a given society to shape industrial growth and development and the other is the implementation of the rules and instruments," which provides solid base to the philosophy of the policy.

In this thesis, a detailed discussion has been made about how industrial problems can be solved by the industrial policy 1991. According to this paper the main problems which can be solved by industrial policy are as following:

- Lop sided development
- Flow of scare resources in desirable area
- Democrat economic activity
- Concentration of economic power
- Import of foreign capital goods

Thus it can be said that industrial policy has been shown in this paper as a solution of various economic as well as industrial problems.

Singh Ajit, (2008) - In this paper author has analyzed industrial policy in a very big way, emphasizing the coordinating role of the government of India in various areas of industrialization, also past and present industrial policy of India was examined and based on that, what should be the industrial policy for future speculated. Importance of planning commission and its role in the economic as well as industrial development was also highlighted.

Misra and Puri, (2008) - In the book Indian Industrial Policy has been studied at various stages after attending independence. After studyingthe new industrial policy 1991 in this book, it was highlighted that despite the adoption of this policy, there is a lack of consistency in the performance potential of Indian industries and the pace of Indian industrial development. Exposure to external competition, slowdown in investment, the infrastructural constrains, difficulties in obtaining funds for expansion, sluggish growth in exports, anomalies in tariff structure, contraction in consumer demand are the major causes of unsatisfactory industrial performance.

Malik, Zakir (2009) - has concluded in his study that the new industrial policy is similar to a red carpet for the Indian industrial sector, which Indian industrial sector had been waiting for years. Indian industry was desperately wanting to unshackle itself from the clutches of bureaucracy, licensing etc. according to this study, New Industrial Policy 1991 came late in India but it is similar to upliftment for industrial sector and gateway to progress and prosperity.

Burange L.G., Shruti Yamini (2011) -It is clear from the study of this article that after the three decade of India's freedom, the development of the Indian economy has been very disappointing. Due to which, the Indian economy started struggling with the problem of fierce balance of payment and macro economic instability, therefore the process of full fledged liberalization of entire sectors of economy began. For this purpose, many measures were made for the purpose of opening the Indian economy globally under the New Industrial Policy 1991. As a result, the growth rate of the economy reached 7 to 8 percent. When the industrial sector was examined it was found that employment, products and prices, investment and trade also increased significantly, although with cyclical fluctuations, however the employment sector also did not show any significant improvement in the last five decades of the freedom but the growth rate of MSME industries was quite satisfactory.

Sharma, Mohan (2015) - This study concluded that through new industrial policy special arrangement were made to establish small and cottage industries in hill areas so as to remove regional inequality. This industrial policy is not only helpful in accelerating the process of industrialization but is also very crucial for generation of employment, effective utilization of scare resources, promotion of entrepreneurship, equitable distribution of income and wealth.

Datt and Sundharam, (2018) -The new industrial policy announced by the government on 24 July 1991 has fulfilled the demand of Indian industries to abolish the long – running license raj system, in addition to this, the industrial policy has announced the removal of asset limit for MRTP Companies and Dominant undertakings. Due to this important decision of the government official intervention were abolished. In this view the industrial policy was welcomed as it took a bold decision to abolish the **"license Permit Raj"** and free the entrepreneurs from the hassle of getting permission from government officials to run the industry or expand capacity. But in this industrial policy, the government was severely criticized for the policies related to foreign capital.

Problem Statement:

After Studying The New Industrial Policy of India 1991 and highlighting various research paper, these facts were came to light, The New Industrial Policy 1991 was implemented with a view to accelerate the process of industrialization in India and a number of policy decisions were also taken for this purpose. Despite this the process of industrialization of India was slow, poverty remains a huge problem, centralization of economic power continued, regional inequality kept increasing, unconstitutional control over economic resources continued to grow and India become an exporter of raw materials and an importer of manufactured goods. Since India is an agrarian economy, the core of industrialization is based on agriculture but to develop agriculture from the point of view of industrialization is a big problem. On the other hand, despite the abundance of natural resources and the availability of labour at low cost in India the slowing down of the pace of industrialization is another major problem. Considering the above facts, a deep but critical study of India's Industrial Policy 1991 is necessary.

Gap Area:

After studying and analyzing various literature on the new industrial policy, it was found that no research or very few research has been done showing the effect of industrial policy on Causes, consequences and remedial measures for industrial sickness, Causes of industrial disputes, Social security of industrial workers, Exit policy, Problem of private sector, Disinvestment programme, which are very prominent from the point of view of rapid industrialization.

Significance of the Study:

Industrialization is the process under which the strategical and systematic production method is adopted by abandoning the traditional production method. Industrialization pays a significant role in the establishment of new industries and development of pre-established industries along with overall development of Indian economy. Important reasons for writing on this title is that it could offer solutions in relation to various problems prevalent in the economy with special reference to industrialization process such as low rate of capital formation, decrease in per capital income, under utilization of resources, unemployment, adverse balance of payment, backwardness of agriculture, unstable economic growth, centralization of economic power. The study of this topic is also very significant for the government, different agencies of the government and other related organizations to policy formulation.

Scope of the Study:

Since this study is basically related to impact of NIP 1991 on rapid industrialization process of India, so the scope of study will be limited to the study of the role and performance of cottage and small scale industries, public sector, private sector, disinvestment programme, industrial relation, social security and exit policy.

Limitation:

- The Article does not study the impact of industrial policy on the economy as a whole.
- The Article does not study the effects of industrial policy on macro economics variables. It only studies variables related to industrialization.
- The Article is a descriptive study of industrial policy.

Objectives of the Study:

In order to make the study not only of academic interest but also of practical utility, the following objectives have been set:

- To examine the New Industrial Policy of India 1991 (NIP 1991) critically.
- To study the impact of NIP 1991 on small scale and cottage Industries.
- To study the impact of NIP 1991 on Public Sector Enterprises.
- To examine the impact of NIP 1991 on the process of privatization critically.

- To examine the impact of NIP 1991 on the process of disinvestment critically.
- To study the capabilities of NIP 1991 for providing solution of industrial sickness.
- To study the impact of NIP 1991 on industrial relation, social security, exit policy critically.
- To suggest suitable measure for effective industrial policy formation to the government.

Conclusion:

India practiced inward looking protectionist policy before 1991 under which Indian industries were treated as “infant industries” and were protected from multinational companies and foreign completion by high tariff and quota restriction. The government of India was directly involved and control the economy on the other hand provided essential goods and services. But this policy could not give the expected result. Therefore government of India introduced market orientation policy in the 1991 and began intensive economic liberalization in the year 1991. The industrial trade and investment related policies were highly liberal but it could not give the expected result. The growth performance was poor with low industrial growth, sluggish exports and almost stagnating investment.

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