

Industrial Policy

Main features

Objectives of the Industrial Policy of the Government are –

- to maintain a sustained growth in productivity;
- to enhance gainful employment;
- to achieve optimal utilisation of human resources;
- to attain international competitiveness and
- to transform India into a major partner and player in the global arena.

Policy focus is on –

- Deregulating Indian industry;
- Allowing the industry freedom and flexibility in responding to market forces and
- Providing a policy regime that facilitates and fosters growth of Indian industry.

Policy measures

Some of the important policy measures announced and procedural simplifications undertaken to pursue the above objectives are as under:

i) Liberalization of Industrial Licensing Policy

The list of items covered under compulsory licensing under the Industries (Development & Regulation) Act, 1951 is reviewed on an ongoing basis. At present, only five industries are under compulsory licensing mainly on account of environmental, safety and strategic considerations. They are:

1. Distillation and brewing of alcoholic drinks.(Licensing ceased by DIPP in compliance with Supreme Court Order of 29.1.1997 in Bihar Distillery case which ruled that industries engaged in manufacture of potable alcohol would be under the jurisdiction of the States).
2. Cigars and cigarettes of tobacco and manufactured tobacco substitutes.
3. Electronic Aerospace and defense equipment: all types.
4. Industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches.
5. Specified Hazardous chemicals i.e. (i) Hydrocyanic acid and its derivatives, (ii) Phosgene and its derivatives and (iii) Isocyanates & diisocyanates of hydrocarbon, not elsewhere specified(example Methyl isocyanate) .

Similarly, from 8 industries reserved for the public sector in 1991, there are only following 2 industries reserved for public sector at present:

1. Atomic energy – Production, separation or enrichment of special fissionable materials and substances and operation of the facilities, specified in DIPP Notification No. S.O.2630 (E) dated 19.10.2009
2. Railway transport.

ii) Industrial Entrepreneurs' Memorandum (IEM)

Industries not covered under compulsory licensing are to file an Industrial Entrepreneurs' Memorandum (IEM) with the Secretariat for Industrial Assistance (SIA). No industrial approval is required for such exempted industries. Amendments are also allowed to IEMs filed w.e.f. 1.7.98.

iii) Policy for Small Scale Industries

At present, the SSI is defined under the Micro, Small & Medium Enterprises (MSMED) Act, 2006. Though reservation of items exclusively for the Small Scale sector forms a significant aspect of the industrial policy, review for dereservation of such items is also undertaken by the Government at periodic intervals, in order to enhance competitiveness of such products in the domestic/global markets. Review of reserved items is thus a continuous process. During the last 5 years itself more than 600 items have been dereserved. At present 20 items are reserved for manufacture in the small scale sector.

All undertakings other than the small scale industrial undertakings engaged in the manufacture of items reserved for manufacture in the small scale sector are required to obtain an industrial licence and undertake an export obligation of 50% of the annual production. This condition of licensing is, however, not applicable to those undertakings operating under 100% Export Oriented Undertakings Scheme, the Export Processing Zone (EPZ) or the Special Economic Zone Schemes (SEZs).

In tune with the provisions of the MSMED Act, 2006 and policy of liberalization, the provision of restricting equity participation by non-SSI undertakings in SSI undertakings upto 24% has been removed by way of rescinding notification No.S.O. 857(E) dated 10.12.1997 vide Notification No.S.O.563(E) dated 27.2.2009.

iv) Non-Resident Indians Scheme

The general policy and facilities for Foreign Direct Investment are applicable to NRIs as well. In addition, Government has extended some additional facilities to NRIs, which include investment in the real estate and civil aviation sectors upto 100 per cent, besides a liberal investment regime on non-repatriation basis.

v) Electronic Hardware Technology Park (EHTP)/Software Technology Park (STP)scheme

For building up strong electronics industry and with a view to enhancing export, two schemes viz. Electronic Hardware Technology Park (EHTP) and Software Technology Park (STP) are in operation. Under EHTP/STP scheme, the inputs are allowed to be procured free of duties.

The Directors of STPs have powers to approved fresh STP/EHTP proposals and also grand post-approval amendment in respect of EHTP/STP projects as have been given to the Development Commissioners of Export Processing Zones in the case of Export Oriented Units. All other application for setting up projects under these schemes, are considered by the Inter-Ministerial Standing Committee (IMSC) Chaired by Secretary (Information Technology). The IMSC is serviced by the SIA.

vi) Policy for Foreign Direct Investment (FDI)

Promotion of Foreign Direct Investment (FDI) forms an integral part of the Industrial Policy. FDI helps in accelerating economic growth by means of infusion of capital, technology and modern management practices. Government has put in place a liberal and transparent foreign investment regime, wherein FDI, upto 100%, is allowed, under the automatic route, in most sectors/activities. The FDI policy is announced through issue of Consolidated FDI Policy Circulars.

The Department has also strengthened investment facilitation measures through Foreign Investment Implementation Authority (FIIA).