Economic Environment

Public Sector

- A public enterprise is an organization which is owned by public authorities including Central, State or Local Authorities.

- According to A.H Hanson, "Public enterprise mean state ownership & operation of industrial, agricultural, financial & commercial undertakings".

The basic objectives of starting the public sector were:

- To build an infrastructure for economic development & promote rapid economic growth & industrialization of the country.
- To promote redistribution of income & wealth.
- To promote balanced regional development.
- To earn return on investment and thus generate resources for development.
- To reduce concentration of private economic power.
- To create employment opportunities.
- To assist the development of small-scale and ancillary industries.

Growth and Performance of Public Enterprises

- The four decades since the commencement of planning witnessed a substantial growth and expansion of the public sector in India.
- Investment in Industrial undertaking by the Central Govt. increased from Rs.29crores at the commencement of the 1st 5 year plan 1951 to Rs. 1,18,492 crore at the commencement of the Eight Plan (1992) in 237 units. At the end of 2001-02 it was about Rs. 324,632 crore in 240 units.

Growth of Public Enterprises

		Investment (Rs. Crores)	Total No. of Enterprises
1.	At the Commencement of 1st Plan (1-4-1951)	29	5
2.	At the Commencement of 2nd Plan (1-4-1956)	81	21
3.	At the Commencement of 3rd Plan (1-4-1961)	953	48
4.	At the Commencement of 4th Plan (1-4-1969)	3902	85
5.	At the Commencement of 5th Plan (1-4-1974)	6237	122
6.	At the Commencement of 6th Plan (1-4-1980)	18,225	186
7.	At the Commencement of 7th Plan (1-4-1985)	42,811	221
8.	At the Commencement of 8th Plan (1-4-1992)	1,18,492	237
9.	At the Commencement of 9th Plan (1-4-1997)	2,01,500	238
10.	As on 31st March, 2002	324,632	240

- A significant feature of the public sector investment is the predominance of investment in few crucial sectors, namely steel, minerals & metals, petroleum coal ad chemicals and fertilizers.

- Performance of many public enterprises are satisfactory.

- Range of public sector industrial operations.
  - Ship-building, thermal, hydro and nuclear power, machine tools, machinery, petroleum products, mining, fertilizers, tele-communication, paper & pulp.

- Foreign Trade

  The public sector provide ¼ of total export earnings.

- Economic Contribution
  - The Share of the public sector enterprises in net domestic product has increased from 3% in 1950-51 to 27% in recent years.
  - It's share in capital formation was 41% in 1950-51 which increased to 49% in the 7th plan.
  - Strong Industrial base – Another contribution of public sector is that it has succeeded in providing strong industrial base. A number of steel industries like Bhilai Steel, Rourkela, Durgapur Steel and Bokaro Steel has been set.

- Development of Infrastructure.
  - Encouragement to rail & road transportation.
  - Setting up of communication network.
  - Development of power resource.
  - Setting up of basic key industries.

- Export Promotion
  - Some of the public enterprises which are exporters are HMT, BHEL.

- Import Substitution
  - Contribution of Hindustan Anti Biotic Limited (HAL).
  - Most of the drug were produced in India and in posted outside.

- Contribution to Exchequer.
  - Public sector has helped central exchequer.
  - More revenue from corporate tax.
  - More revenue from Central Excise Duty.
  - More revenue from Custom Duty.

Problem of Shortcoming of Public Sector

1. **Mounting Losses:** Review of public sector enterprises revealed that most of entrepreneur are suffering heavy losses. The amount of losses which was 7.5 Cr in 1991-92 it increased to 21600 Cr in 1997-98. No Govt could afford such a huge amount of loss. Hence it was decided to disinvest in this sector or open it for private sector.

2. **Political Factors:** Another problem faced by the sector is under influence of political factors. The decisions are delayed by this intervention and this sector fails to achieve its objective and targets.

3. **Over Capitalization:** Several public enterprises like Hindustan Aeronautics are over capitalized by excessive construction time & cost, provision of infrastructural facilities, surplus machine capacity. In this respect investment was more and return was less.

4. **Production Delay:** Another problem in this sector remain in the delay of implementation of production decisions. Due to these delay, cost of production increased. For eg. It was estimated Trombay fertilizer project will be completed within 3 years. However it took 6 to 7 years for completion. Hence original cost which was 27 Cr increased to 40 Cr.

5. **Excess Manpower:** Public sector is facing the problem of excessive manpower resources. It means that number of labourer is more than that actually required.

6. **Too much control:** The control were in field of purchase, sale, production and finance etc. Thus public sector failed to work efficiently.

7. **Inefficient Management:** Management remain inefficient. No authority or officer was free to take its own decision.

8. **Price Policy:** Pricing policy of public sector is not guided by principle of profit maximization. On other hand the policy remained under the control and regulation of Govt. Thus cost remained high and profit remain low.

Measures adopted by Govt. on Remedial Measures

- In order to improve the working of public sector a number of steps have been adopted by Govt.

1. **New Public Sector Policy:** The main element of current Govt. Policy towards Public Sector Undertakings (PSUs) are
   - Bringing down Govt. equity in all non strategic PUSs to 26%.
   - Close down PSUs which cannot be revived.
   - Fully protect the interest of workers.

2. **Revival of Sick Units:** Govt. announced its policy 1990-91 and preferred sick enterprises to BIFR (Board for Industrial and Financial Reconstruction). By end of 1998 there was 62 PSU (Public Sector Undertaking).

5. **Voluntary Retirement Scheme:** This scheme was introduced by Govt. in 1992-93. In large public enterprises Govt. offered scheme of voluntary retirement. Moreover National renewal fund was created in 1992. This fund was for safety of people who voluntary retire.

6. **Public Sector Rathnas:** Government in July 1997 has identified 11 public sector enterprise as 11 Gems/Navratnas.

   These enterprise are – Steel Authority of India (SAIL), Indian Oil Corporation (IOC), Videsh Sanchar Nigam Ltd (VSNL), Hindustan Petroleum Corporation Ltd (HPCL), Bharat Petroleum Corporation Ltd (BPCL), Oil & natural Gas Commission (ONGC), Bharat Heavy Electricals Ltd (BHEL), National Thermal Power Corporation (NTPC), gas Authority of India Ltd (GAIL) and Mahanagar Telephone Nigam Ltd (MTNL), Indian Petro Chemicals Corporation Ltd (IPCL).

5. **Disinvestment:**

- Disinvestment in Public Sector Undertaking:

Year	Target (Rs. Crore)	Achievement (Rs. Crore)
1991-92	2500	3038
1992-93	2500	1913
1993-94	3500	Nil
1994-95	4000	4843
1995-96	7000	362
1996-97	5000	380
1997-98	4800	902
1998-99	5000	5371
1999-2000	10000	1829

- The total amount disinvested during 1991-2000 is 10000 Cr.
- The Govt. has again put an ambitious target of Rs. 12,000 Crore through disinvestment in 2002-03.

Memorandum of Undertaking

- The system of MOU shows relationship between the PSU and the administrative ministries.

- MOU system was started in 1987-88 with four PSUSs signing MOUs. It has gone up to 107 MOUs signed for 2000-01.

Private Sector

- Private Sector refers to that part of the Indian Economy where there is private ownership & contract over means of production. When the ownership, management and control of business and industrial enterprises are in the hands of private entrepreneur it is called private sector.
- Private enterprises work freely without any control or regulation of Govt

Objectives of private sector

1. The basic objective of private sector is to improve the performance of PSUs so as to lessen the financial burden on tax-payers.
2. Generating revenue for the State and reducing the administrative burden on the State.

Merits of Private Sector Enterprise

1. **Helpful in the development of public sector:**

   Public Sector and private sector are closely interrelated. Growth of private sector is helpful in the development of sector -

   a) Reducing the burden of loss making public sector units.

   b) Enabling profit making public sector units to modernize and diversify their business.

   c) Making public sector units more competitive.

2. **Efficient Utilization of Resources:**

   All the resources of production are used economically. No part of these resources is allowed to waste.

3. **Free & Fair Competition:** Private sector is based upon free & fair competition among producers & sellers.

4. **Minimum Cost of Production:** As private sector encourages efficient utilization of resources, it results in minimum cost of production.

5. **Higher rate of Capital formation:** Private entrepreneurs try to save major part of their income so that may leave behind large wealth for their children. This leads to higher rate of capital formation.

6. **Importance for development:** The private entrepreneur is guided by the profit motive. He is responsible for the introduction of new commodities, new techniques of production. The private entrepreneur acts as an innovator. Such activities help in the process of industrialization and economic development.

7. In Indian all small & cottage industries are in the private sector. These industries employ labour intensive technique and provide employment opportunities.

8. The Government assigned a secondary role to the private sector but 6th 5 Year Plan (1989-85) gave importance to private sector and nearly 47 percent of total investment was in private sector.

9. The Industrial Policy of 1991 has liberalized the economy in favour of private sector.

   i. Industrial licensing has been abolished for all projects.
   ii. Approvals will be given for direct foreign investment upto 51% foreign equity in high priority industries.
   iii. No permission will be required from the MRTP commission for expansion, new undertakings.

Monetary Policy

- Monetary policy refers to the use of instruments within the control of the Central Bank to influence the level of aggregate demand for goods & services. Monetary policy refer to regulatory policy in which central bank maintain its control for supply of money. This concept of monetary policy may be true for developing country. But UDC like India, monetary policy cannot confine itself to control of money supply. In fact it has to play a positive role and thus a wider concept of monetary policy is taken into consideration.

- One of the major objective of monetary policy is to check inflation and to for this purpose money supply plays a significant role.

Main Components of Monetary Policy

1. **Bank rate Policy:** The Bank Rate also known as Discount Rate, is the oldest instrument of monetary policy. Bank arte is the rate at which the central bank rediscounts – eligible bills. In India bank rate remain as high as 10% during 80's. It was raised to 11% in July 1991 and further raised to 12% in Oct 1991.

- Effectiveness of the bank rate depend on following factors:
  a. The responsiveness of money market influences the effectiveness of the bank rate. The money market will be responsive when all payments are made through banks.

  b. The effectiveness will depend on the economic situation in the country. If price rise due to scarcity of products, the bank rate will fail to bring them down.

2. **<u>Open Market Operations:</u>** Open Market Operations refer broadly to the purchase & sale by the Central Bank of assets such as foreign exchange, gold, government securities. Under the Open Market Operations, the Central Bank seeks to influence the economy either by increasing the money supply or by decreasing the money supply.

- **Usefulness -**
  a. Open market operations can be used to support the bank rate policy. For eg. During the period of depression a lower bank rate may be accompanied by purchaser of securities.
  b. Open market operation help in influencing the balance of payment through an inflow or outflow of gold.

3. **Cash reserve Ratio CRR**

Cash reserve Ratio refers to that portion of total deposits of commercial bank which ti has to keep with the Reserve Bank in the form of cash reserves. During 80's CRR increased from 10% to 15%. However after the recommendation of Narishma Committee of 1991, RBI decided to reduce CRR. In April 1993 it was reduced from 15% to 14.4%. The chastic cut was introduced with end of century because by April 2000 CRR was reduced to 8%.

4. **Statutory Liquidity Ratio (SLR).**

Statutory Liquidity Ratio refers to that portion of total deposits of commercial bank, which it has to keep in the form of liquid assets. Accounting to Banking Regulation Act of 1962 every bank is required to keep a minimum SLR ratio of 25%. RBI is empowered to increase this ratio to 40%. During 70's and 80's RBI raised this ratio as high as 38.5%. However after recommendation of Narishma Committee and policy of financial liberalization it was decided to reduce SLR to 255.

5. <u>Selective Credit Control</u>

Selective control are designed to regulate the direction of credit. During the last four decades the RBI has adopted 3 techniques of selective credit control.

1. The determination of margin requirement for loans.
2. The determination of maximum amount of advances.
3. Discriminatory interest rate.

- For most of the time RBI has adopted margin requirement for loans, so that it may check holding of essential commodities and thus put a check on inflationary pressure. In this respect RBI declared following goods under control (1) Food grain (2) Oil seeds (3)Sugar (4) Veegtable oil (5) Cotton. For all these commodities, margin requirement varies from 20% to 75%.

Fiscal Policy

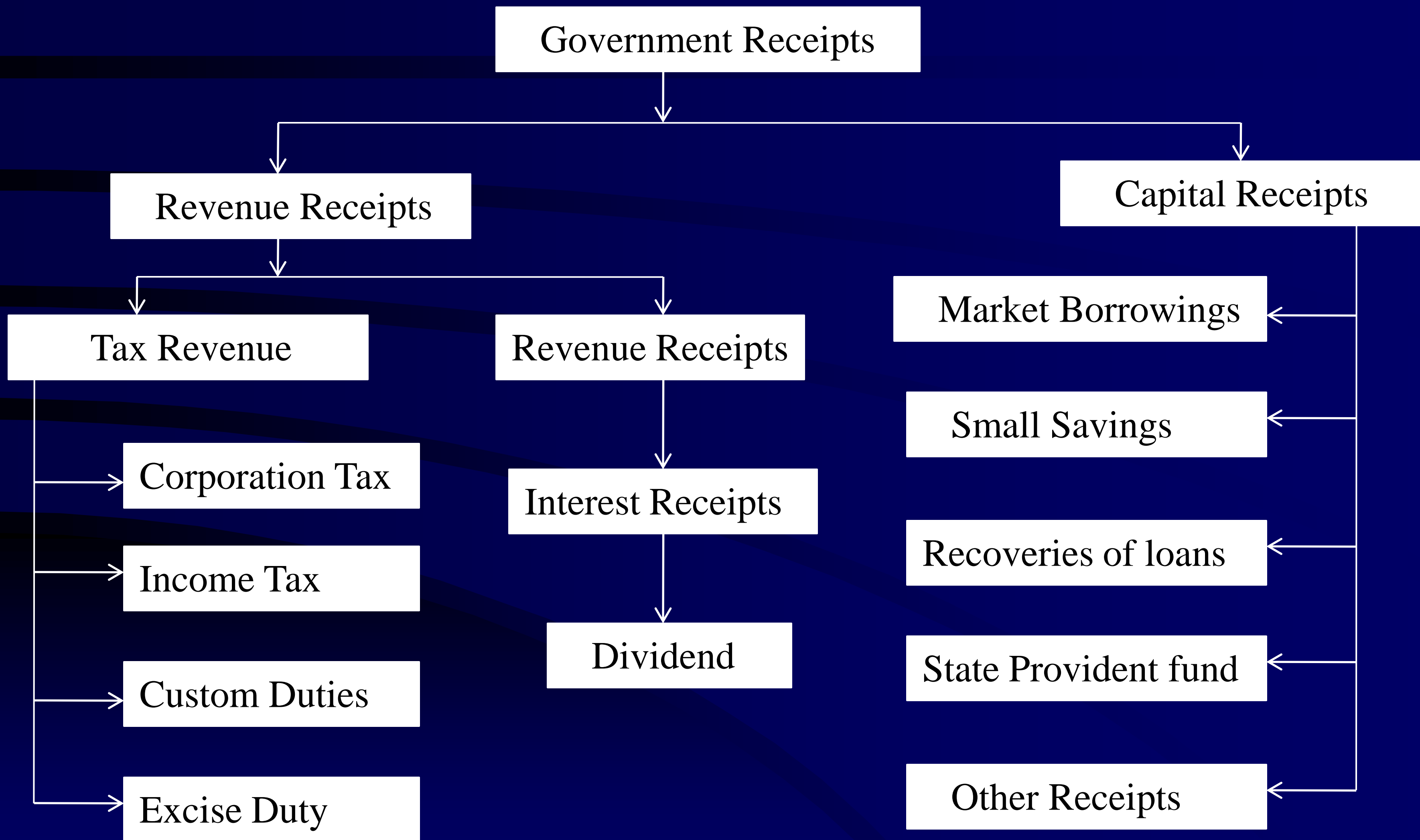
- Fiscal policy refers to the policy of the government regarding taxation, public expenditure and public debt.

According to Arthus Smithies.

- Fiscal policy is a policy under which the Govt .uses its expenditure and revenue programmes to produce desirable effects and avoid undesirable effects on national income, production and employment.
- Fiscal policy refer to budgetary policy.
- Fiscal policy works through the changes in the level of government expenditure and taxes, when Govt. expenditure Is increased or if taxes are lowered then economic expansion takes place and this is known as **expansionary fiscal policy.**

- Govt. expenditure & receipts play important role in fiscal policy. In a situation when expenditure exceeds receipts (deficit) the Govt. is forced to borrow revenue receipts.

The flow chart describes the mechanism of Govt. expenditure and receipts under fiscal system.



Objectives of fiscal

- Ensure socio-economic justice.
- Equitable distribution of income and wealth.
- Curb consumption and wealth.
- Encourage savings and investments.
- Development of backward areas.
- Raising revenue.
- Control production and prices.

Instruments of fiscal policy

- **Taxation:** A tax is a compulsory levy imposed by the Govt. on economic units. Taxation is one of the major instruments for resource mobilization. Taxes can be classified into direct and indirect taxes.

1. **Direct Tax** is defined as the one the incidence of which rests upon the person who bears the impact. Income tax, Wealth Tax, Corporation Tax are example of direct tax.

2. **Indirect Tax**: If the incidence is passed on to others it is called indirect tax. Custom duties, excise duty, value added tax (VAT) are indirect taxes.

- The allocative and distribution effects of taxation are brought in the following ways:
  - If the rich are taxed at a higher rate than the poor the inequality in the distribution of income tends to fall.
  - If the industries facing diminishing returns are taxed more heavily then those with increasing returns, the overall output and efficiency will increase.
  - The burden of incident taxes is shared between the household sector and the business sector.
- In periods of recession or depression taxation an be lowered to restore income and aggregate demand.

3. Introduction of MODVAT in 1986 has helped to reduce the impact of indirect taxes on manufactured products.

4. **Public Expenditure.** Public expenditure is another powerful tool of fiscal policy. Public expenditure is mainly financed by tax and non tax revenue, market borrowing and deficit financing. The allocative and distributive effect of public expenditure can be studied under:
   - Establishment of public sector enterprises in area where private enterprise is weak to reduce regional disparity.
   - Provision of economic infrastructure (like power, water & transport) in backward areas.
   - Public expenditure on welfare schemes like rural employment, old age pension, free education helps the weaker section of society.

5. **Public Debt**

Public borrowing or changes in public debt affect money and credit supply, rate of interest, aggregate demand, price level.

Small-scale and Cottage Industries

Definition:

i. **Small-Scale Industries:**
These are the industrial undertakings having fixed investment in plant and machinery, on lease basis or ownership basis not exceeding Rs. 1 crore.

ii. **Ancillary Industries**
These are industrial undertakings having fixed investment in plant and machinery not exceeding Rs. 1 crore engaged in –
(a) The manufacture of parts, components, sub-assemblies, intermediaries.

iii. **Tiny Units**

These refer to undertakings having fixed investment in plant & machinery not exceeding Rs. 25 Lakhs. These include machinery, poultry & laundry.

iv. **Small-Scale Service Establishments**

These mean enterprises engaged in personal or household services in rural areas and town with population not exceeding 50000 and having the fixed investment in plant and machinery not exceeding Rs. 25 Lakhs.

Objectives of Small Scale Industries

The objectives of small scale industries are:

1. To create more employment opportunities with less investment.
2. To remove economic backwardness of rural and less developed regions.
3. To reduce regional imbalances.
4. To improve standard of living of people.
5. To ensure equitable distribution of income and wealth.
6. To solve unemployment problem.
7. To adopt latest technology.

Role and Performance of Small Scale and Cottage Industries

1. **Expansion of small-scale sector and its share in industrial output:**

   A study of the data contained in Economic Survey 2002-02 gives the following results for period 1993-94 to 2000-01.

a. The number of small-scale units stood at 23.9 lakh in 1993-94 and this rose to 33.7 lakh in 2000-01. This shows that during the period 8 years, the output increased to 41%.

b. The output of small-scale units was Rs. 2,41,648 crore in 1993-94 and this rose to Rs. 4,50,450 crore in 2000-01.

2. Employment Generations:

The small-scale units employed 129.80 lakh people in 1991-92 and this number has risen to 185.6 lakh in 2001-01. Creation of employment opportunities depend on the development of small-scale and cottage industries.

3. Equitable Distribution of National Income

The small-scale and cottage industries ensures equitable distribution of national income. This happens because of following 2 considerations.

a. The ownership of small-scale industries is more widespread than the ownership of large-scale industries.

b. They possess a larger employment opportunities as compared to large industries.

4. **Relative Efficiency as compared with large-scale sector**

   The study on this issue was conducted by SIDBI (Small Industries Development Bank of India) Team in 1999 with NCAER (National Council of Applied Economic Research). The study covers the period 1980-1994. The study reveals that the small-scale industries by investing only 7% to 15% of capital, contribute 1/5 of Industrial output and 35 to 40% of total employment in Industrial sector.

5. **Mobilization of Capital & Entrepreneurial Skill**

   Small-scale industries enjoys greater advantage as far as mobilization of capital and entrepreneurial skill is concerned. A number of entrepreneurs are spread over small towns and village industries are distributed over the entire length and breadth of the country.

6. **Less Industrial Disputes**

There are frequent and lock-outs in large industries, small scale and cottage industries do not face such problem. There is no loss of output in small-scale and cottage industries.

7. **Contribution to Exports**

The total export of the small-sector industry products increased from Rs 150 crore during 1971-72 to Rs 48,979 crore in 198-9. This an increase in the share of small-scale industries in total export of the country from 9.6% in 1971-72 to 34.9% in 1998-99.

Present Position OR Growth of Small Scale Sector

- The small scale industries have shown tremendous growth in production, employment and exports over the last 10 years. The total number of small scale units has increased from 20.82 lakh in 1991-92 to 33.7 in 2000-01. Only the value of output of small-scale units has gone from 1,78,699 crore in 1991-92 to Rs. 6,45,496 in 2000-01. The numbed of persons employed in small scale units has gone from 129.8 lakh in 1991-92 to 185.60 lakh in 2000-01. Total value of exports of this sector has increased from Rs. 13,833 Crore in 1991-92 to Rs. 53,975 Crore in 1999-2000.

Overall Performance of SSI Sector

Year	No. of Units (lakh)	Output (Rs. Crore)	Employment (lakh)	Export (Rs. crore)
1991-92	20.82	1,78,699	129.80	13,883
1992-93	22.46	2,09,300	134.06	17,785
1993-94	23.81	2,41,648	139.38	25,307
1994-95	25.71	2,93,990	146.56	29,068
1995-96	27.24	3,56,213	152.61	36,470
1996-97	28.75	4,12,636	160.00	39,249
1997-98	30.14	4,65,171	167.20	43,946
1998-99	31.21	5,27,515	171.50	48,979
1999-2000	32.25	5,72,887	178.50	53,975
2000-01	33.7	6,45,496	185.60	NA

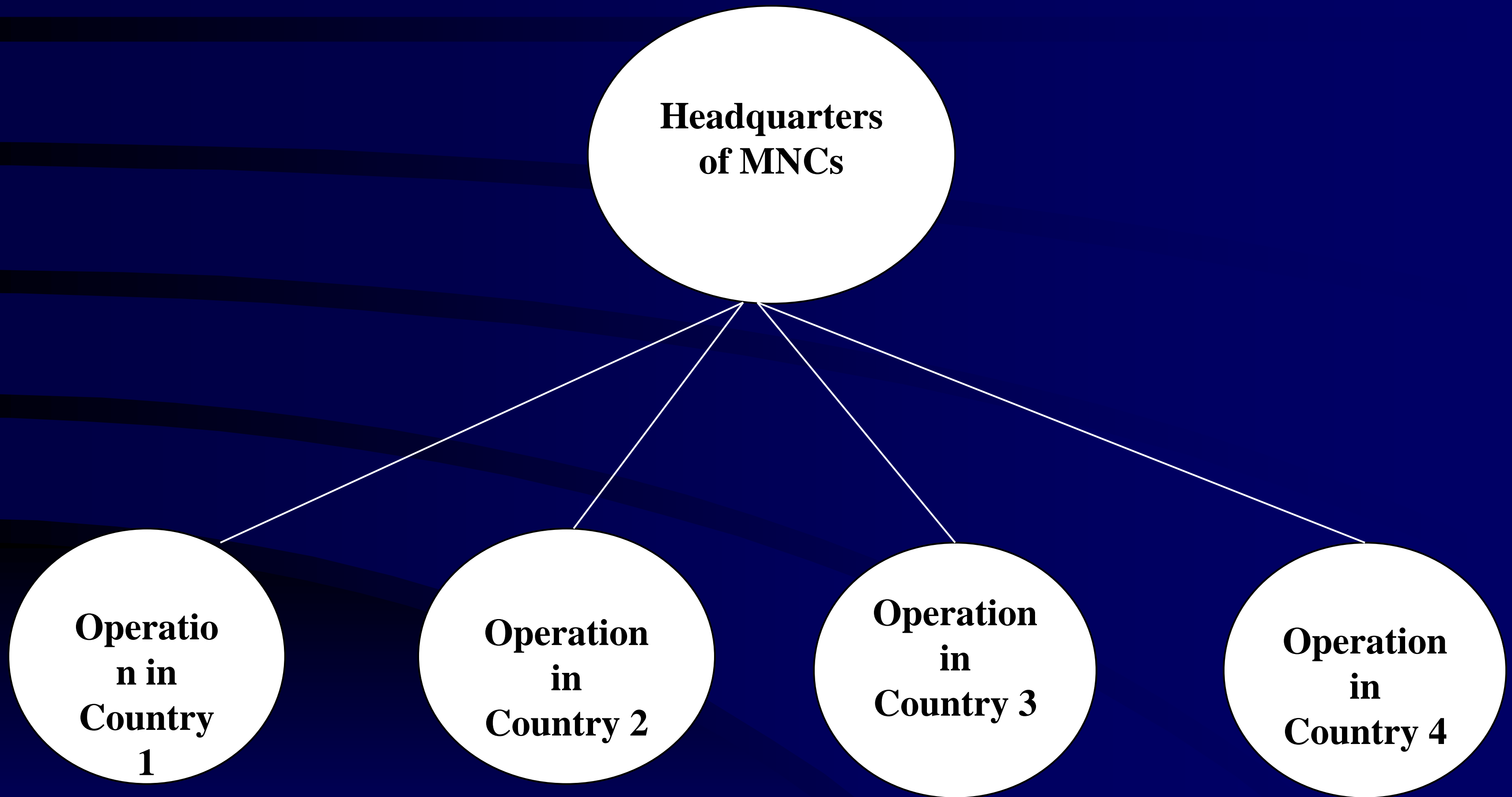
Multinational Corporations

- Multinational Corporations (MNCs) is a business unit which operates simultaneously in different countries of the world. The MNCs are huge business organizations which extend their business operations beyond the country of origin through a network of industries & marketing operations.

- Multinational Corporations are Companies that manufacture and market the products or services in several countries. The first MNC come to India in 1921. The United States was the home of most of the MNCs. Now there are a number of European and Japanese Multinationals.

- **Multinational Corporation is defined as** "As enterprise which own or control production or service facilities outside the country in which they are based."

- **The few examples of MNCs** are Sony of Japan, Siemens of Germany, Videocon, Infosys, LG, Nokia, Coca Cola, Barcardi, Google, Vodafone, Aditya Birla, Wipro Ltd.


Headquarters of MNCs
Operation in Country 1
Operation in Country 2
Operation in Country 3
Operation in Country 4

Characteristics of Multinationals

1. **Mode of Transfer**

   The MNC has freedom in selecting the financial channel through which funds or profits are moved eg. Patents and trademarks. MNC can move profits and cash from one unit to another.

2. **Value for Money**

   By shifting profits from high-tax to low-tax nations, MNCs can reduce their global tax payments.

3. **Flexibility**

   MNCs can extend trade credit to their subsidiaries through open account terms, say from 90 to 18 days.

Benefits/ Approach to Multinationals

To run a new and profitable project a good understanding of multinational strategies is necessary.

A. **Innovation Based Multinationals:**

Companies such as Philips & Sony create barriers to entry for others by introducing new products. Both domestical & international companies in this category spend large amount on R&D.

B. **The Mature Multinationals:**

The primary approach in Dutch Companies is the presence of economies of scale.

C. **Globalization:**

The MNCs contribute to internationalization of production by transforming the raw materials produced in one group of countries with labour in other to manufacture goods & sells these goods in global market.

D. **BOP Impact:**

MNCs help in improving Balance of payments through export & inflow of capital.

E. **Capital Market:**

Foreign direct investment FDI brings in skill relating to marketing, financial & technical services. MNC encourages export by increasing access of local firms to global markets.

F. **Employment:**

A study has shown that the MNCs have succeeded in generating employment opportunities. Employment growth in MNCs during the period 1990 to 1995 has been to the tune of 3.84 per cent.

Reasons for the Growth of MNCs

1. **Non-Transferable Knowledge:** It is possible for MNC to sell its knowledge in the form of patent rights and to license foreign producer. This relieves the MNC of the need to make foreign direct investment.
2. **Factor Mobility:** The factors of production like technology, capital, labour and even management have paved the way for the growth of MNC.
3. **Economic Reforms:** Government of developing & underdeveloped economies are facing problems like regressed performance of public sector & bureaucracy. This has led to wastage of resources resulting in poor GDP arte which further lead to poverty and unemployment.
4. **Avoiding Tariffs and Quotas:** MNCs prefer to invest directly in a country in order to avoid import tariffs and quotas that the firm may

Drawback of Multinational Corporation

1. **Drain of Resources for Profit Maximization:** The basic objective of MNC is profit maximization through exploitation of most country's resources It is least concerned with developmental areas, growth and equity of poor host country.

2. **Minimum Transfer of Technology:** MNC do not transfer their advanced technology to host country. They carry out their research and development in the home country only. Technology supplied by MNCs to LDC is capital intensive & import oriented.

3. **Influence on Culture:** MNCs bring their culture norms and attitudes in the host country and may cause destruction of its original culture in various ways.

4. **Monopoly Growth:** The MNCs may create their monopolies in market and eliminate local competitors.

5. **Depletion of Non-Renewable Resources:** The MNCs exploit the host country's non-renewable natural resources. This results in the depletion of non-renewable scarce resources in the host country.

6. **Unfavourable effect on BOP of the Host** MNC add to the problem of BOP deficit, which the country might be facing.

7. **Ill effects of Advertisements:** The MNCs spend large amount on competitive advertisements which lead to high prices of the products, wastage of economic resources.

8. **High Profit-Orientation:** MNCs minimize their overall cost of production through economies of scale. They take advantage of national and international market imperfection to maximize their profit.

Multinational Corporation in India

- MNCs have been operating in India even prior to Independence like Philips, Singer, Proctor & Gamble. They either operated in the form of subsidiaries or entered into collaboration with Indian companies. The entry of MNCs in Indian was controlled by existing industrial policy statements, MRTP Act & FERA.

New Industrial Policy 1991 & MNC

- The New Industrial Policy 1991, removed the restrictions of entry to MNCs through various concessions. The amendment of FERA in 1993 provided further concession to MNCs in India. At present MNCs in India can:

i. Borrow money or accept deposit without the permission of Reserve Bank of India.
ii. Transfer shares from one non-resident to another non-resident.
iii. Disinvest equity at market rates on stock exchanges.
iv. Deal in immovable properties in India.
v. Go for 100 per cent foreign equity thro0ugh the automatic route in specified sectors.

POVERTY

- Poverty is a relative term and generally it is defined in terms of certain minimum level of consumption standard. If a country fails to reach this standard then it is regarded as poor.
- In India poverty has been measured in terms of per capita income also as well as per capita consumption. Different estimates have been made by govt. & private agencies and individuals including B.S. Minhas and planning Commission of India.
- If a person living in rural areas is earning less than Rs. 225/- per month, he will be eblow the poverty line planning commission estimated that poverty in Indian was 48.3% in 1977-78 which came down to 29.9% in 1987-88 ad further to 20.9% in beginning of 9th plan. Commission also declared that poverty is more acute in rural areas as compared to urban area.

Poverty Alleviation Programmes

Govt. has adopted a number of program for alleviation of poverty in the country. Since 1st plan and upto 5th plan the emphasis was on growth of agricultural industries, generation of more employment opportunities & encouragement to small scale industries which are labour intensive. It was only in 5th 5 year plan that principle objective of economic planning is removed of poverty.

In order to achieve this objective a number of programme were introduced and special efforts were also made to eradicate poverty in rural areas:

1. Setting up small farmer developing agencies (SFDA).
2. Marginal farmers and agricultural labour development agency (MFAL).
3. Drought Prone Area Programme (DPAP).
4. Crash Scheme for Rural Employment (CSRE).
5. Pilot Intensive Rural Employment (PIREP).
6. Food for Work Programme (FWP).

All these programme were initiated in country so that more employement may be generated for masses. However all these projects and porgramme ended by the end of 5th 5 year plan.

Major Anti-Poverty Programmes During Five Year Plans

1. **The Integral Rural Development Programme (IRDP)** introduced in 1978-79 in 2300 blocks was extended to another 300 blocks in 1979-80 and the to all blocks in the country by October 1980 to -

- Provide self-employment
- Opportunities to the rural poor to lift them above the poverty line.

2. **The National Scheme for Training of the Rural Youth for Self-Employment:** (TRYSEM) was launched in 1979.

- This scheme aimed at equipping the rural youth with necessary skill and technology.
- Two lakh of rural youth are trained every year at the rate of 40 per cent per block.
- These youths are being selected from families earning less than Rs. 3,500/- a year.
- Priority categories for selection are the scheduled castes, scheduled tribes and ex-servicemen.

3. National Rural Employment Programme (NREP):

- This progarmme aimed at providing employment to the unemployed and underemployed agricultural / rural worker.

4. Rural Landless Employment Guarantee Programme (RLEGP):

- Launched on 15th August, 1983.
- The basic objective of this programme are similar to NREP.

i. to improve and expand employment opportunities for at least one member of every landless labour household upto 100 days in a year.

ii. To create durable assets for strengthening rural infrastructure which lead to rapid growth of the economy.

iii. This programme aims at generating 60 million man days of employment in 1983-84 and 300 million man days of employment in 1984-85.

5. Drought Prone Area Programme (DPRA):

- Started in 558 blocks spread over 74 districts in the country.
- Aims at optimum utilization of land, water & resources.

6. Jawahar Rozgr Yogna (JRY):

- The JRY had been formulated by merging together two employment programme i.e. NREP and RLEGP. The major objective of JRY –
- Generation of additional employment for unemployed & underemployed for rural areas.
- Improvement in overall quality of life in rural areas.

7. **NRY - Nehru Rozgar Yojana:**
   - Aims at creating one million jobs annually.
   - It will create opportunities for self employment as well as generate wage employment.

8. **Swarna Jayanti Shahari Rozgar Yojna (SJSRY):** The SJSRY came into operation from December 97. The scheme aims to provide gainful employment to urban unemployed or under employed poor.
   - By encouraging self employment centures.

9. **Prime Minister's Rozgar Yojna (PMRY):**
   - Self employment to educated unemployed youth. It provide employment to more than a million person by setting up 7 lakh micro enterprises in Eight Plan.

Estimate of Poverty

Year	All India	Rural	Urban
1973-74	54.9	56.4	49.0
1977-78	51.3	53.1	45.2
1983	44.5	45.7	40.8
1987-88	38.9	39.1	38.2
1993-94	36.00	37.3	32.4
1999-2000			

- Poverty in India is falling from 1973 to 1994. According to the Planning Commission, the incidence of poverty declined steady from 51.5% in 1972-73 to 29.9% in 1987-88.

Critical Evaluation

1. The basic limitation of this programme is that it is not based on long term strategy.
2. Poverty alleviation programme do not provide adequate resources to poor people.
3. It do not provide guarantee to wages as well as employment whatever employment par get is only for few months.

NEW INDUSTRIAL POLICY 1991

Introduction

- The new Industrial policy in India was announced on July 24 1991. In this policy it was made clear that govt will follow the policy of Liberialisation.

Main Features

- The main features announced by govt in its new Industrial policy are as:

1. Abolition of Industrial Licensing

- Govt abolished all Indian licensing except for 18 industries relating to security strategic concerns. In April 1993, 3 more industries were motor car, skin, leather, white goods. In Dec 1996 govt further delicensed 5 Industries in 1997, 3 more industries wer delicensed. At present there are only 6 industries which need license. These are (a) Alchool (b) Cigarette (c) azardous chemical (d) Electronics (e) Aerospace Defence equipment (f) Drug & Pharmaceticals.

2. Amendment of MRTP Act.

- Govt amended MRTP Act. An industrialist who have invested up to 100 crores rupee was not allowed to invest more under MRTP Ac. This limit was abolished. Govt felt that MRTP Act had adverse effect on investment because only a few industrialist can save invest. Thus it was declared in new Industrial policy that MRTP Act will be suitably implemented.

3. Policy regarding foreign sector

- Govt declared in its new policy that foreign investment will be allowed in India and foreing companies will complete with domestic Industrial unit's. Moreover domestic firms were allowed to import machinery upto 5 crore rupee without any prior commission. The most significant feature in this respect was that foreign equity was allowed upto 51%. Foreign direct investment (FDI) was liberalized & now 100% foreign equity is permitted in case of mining including coal & lignite.

4. Removal of Mandatory Convertibility Class.

- Most of Industrial unit's in India are financial by bank for loan. These institutions followed a mandatory practice & before lending money to new Industrial units a part of loan can be converted into equity. Hence in new Industrial policy it was declared that there will be no mandatory convertibility class.

5. Liberalised Industrial Location Policy

- Another feature of New Industrial policy is that its policy regarding Industrial location was liberalized. It was made clear that in a city with population more than 10 lack no industry will operate which is of polluting nature. Such industries were allowed to be located beyond 25 km boundary of the city. This policy had helped Indian economy to solve the problem of pollution.

6. Dereservation of Industries For Public Sector

- The new Industrial policy seeks to limit the role of public sector & encourage private sector's participation over wider field of industry.

i. Reduced Reservation for Public Sector

Out of the 17 industries reserved for the public sector under the 1956 industrial policy, the new policy de reserved 9 industries & thus limited the scope of public sector to only 8 industries. Now the area of the public sector remain confined to only 4 industrial sectors which are (i) defence production (ii) atomic energy (iii) railways (iv) minerals.

ii. Efferts to review Loss making Enterprises

Those public enterprises which are chronically sick & persistent losses would be returned to the Board of Industrial & financial Reconstruction (BIFR).

Critical Appraisal

- New Industrial policy was regarded as milestone in history. Its main aim is to raise efficiency & accelerate Industrial production.

- This policy has following points of merit:
  1. Indian economy have become more liberal after delicensing
  2. Domestic industries has to complete with foreign industry. This will increase the competitiveness of domestic industries.
  3. Regulation of MRTP Act in new policy will lead to more investment and will curb corruption.
  4. Foreign & domestic industries were allowed to import machinery. It will increase India's technology.

Limitations of New Industrial Policy

1. Opening of the economy for rest of world will lead to economic slavery.
2. Foreign sector is allowed 51% equity. Hence foreign sector will dominate Indian economy.
3. Expansion of public sector has been curtailed. This will put a check on growth of this sector.
4. Capital convertibility is allowed for foreign sector. This will adversely affect foreign exchange reserve in future.

Conclusion

- Despite all these limitation it can be concluded that the new Industrial Policy has completely changed the economic scenario after economic crises.

INDUSTRIAL POLICY 1948

- Industrial Policy Resolution of April 1948 classified industries into 3 Categories.

1. Classification
   1. Defence & strategic industries such as manufacture of arms & ammunition production & control of atomic energy & ownership & management of railways were to be exclusive monopoly of central govt.
   2. In the case of basic & key industries such as coal, Iron & Steal etc all units were set up by the state.
   3. Some industries were to remain in private ownership but subject to overall regulation & control by the govt.

2. Policy Towards Foreign Capital

- It emphasized that foreign capital will be allowed in joint participation with Indian Capital & majority of control & management will remain in hand of India.

3. Role of Cottage & Small Scale Industries

- The Industrial policy 1948 emphasized the role of cottage & small scale industries in economic development. These industries provide larger employment opportunities. The Industrial policy of 1948 thus laid down the foundation of a mixed economy where in the public sector (the State) and the private sector were to co-exist.

Industrial Policy 1956

- The main features of Industrial Policy Resolution of 1956 were

1. New Classification of Industries
   i. The industrial policy of 1956 adopted the classification of industries into 3 categories Viz.
   ii. Schedule A which contained 17 Industries.
   iii. Schedule B which contained 12 industries, such industries are state owned.
   iv. Schedule C All remaining industries fell in this category.

2. Assistance to Private Sector

- The policy said that the state would continue to strengthen & expand financial institutions that give financial institutions that give financial assistance to private industry. The state also strengthen infrastructure (Power, Transport) etc to help private sector.

3. Expanded Role Of Cottage & Small Scale Industries

- The Industrial Policy of 1956 laid stress on the role of cottage & small scale industries for generating larger employment opportunities & making use of local manpower & resources.

4. Balanced Industrial Growth Among Various Regions

- The State will set public sector industries in backward areas & will provide incentive such as tax concessions, subsidized loans etc to private sector to start industries in backward region.

5. Role of Foreign Capital

- The policy made it clear that inflow of foreign capital will be permitted subject to the condition that major share in management ownership & control remain in hands of Indian.

6. Incentive to Workers

- The policy put emphasis on the provision of adequate incentive to workers.