CHAPTER VII

SUMMARY OF CONCLUSIONS AND SUGGESTIONS

In the foregoing chapters it has been attempted to study and examine the various aspects concerning industrialisation in our country and the role and impact of industrial licensing on the country's economic growth.

This chapter attempts to summarise the conclusions drawn in the present work and put forth some suggestions to overcome the immediate problems in licensing to make the whole process of industrial controls and regulations, through the instrument of industrial licensing more simple, pragmatic and development oriented.

We all know that the development of markets is a long drawn out process. In the third world countries, it is found to be tied up with economic progress for which governmental direction and regulation of economic activities become an important force for achieving the stipulated industrial development. The study reveals that India had experienced a long spell of adverse economic climate during the British rule.
This greatly hindered the process of achieving economic growth through industrialisation.

It was only after having attained independence that industrialisation was considered as sine qua non of economic growth and development. Certain positive and concrete measures have since been taken in this direction and the Government defined goals and laid down priorities through industrial policies to achieve the objectives of balanced and rapid economic growth. However, the study reveals that despite all governmental efforts and encouragements to accentuate the pace of industrialisation, corporate activities have been slow, lop-sided and led to concentrations. To overcome these problems and to give a proper direction to industrialisation, the Five Year Plans set pre-determined economic goals with the help of industrial growth. But it has been observed that due to certain deficiencies our industrial growth has not been as per the planned targets.

The analysis of data reveals that the average growth rate of industry was quite satisfactory in the "fifties" and
early "sixties" at about 7 per cent which sharply declined to 4.5 per cent in the post 1965 period. With inconsistent trends, it picked up to 5.3 per cent during the Fifth Five Year Plan. During the Sixth Five Year Plan period the Government introduced several liberalisations and incentives for the industrial sector and a slight positive change could be noticed when the average growth of industry marginally picked up to 5.8 per cent. It is, however, interesting to note that during the first four years of the Sixth Plan it was estimated at 10.8 per cent per annum the large industry sector, and 10.9 per cent in large manufacturing sector. In view of these trends, the Seventh Five Year Plan (1985-1990) has envisaged a growth rate of seven per cent in the manufacturing sector. In order to achieve this target, the private organised manufacturing sector should grow at about 10 per cent on the assumption that the growth rate in the unorganised sector as also in the public manufacturing sector might not exceed 5 to 6 per cent. This may entail an investment of about ₹ 65,000 crores at 1984-85 prices for the private corporate sector, while it was estimated that it would not be able to raise more than ₹ 54,000 crores.
Thus, to bridge the gap of this resource constraint, certain modifications should be thought of to attract investors and entrepreneurs in industrial sector. The results of such deliberations will, however, be seen in the near future.

A chapter by chapter evaluation of the work reveals that chapter I examined the factors and indicators of economic development and while justifying the need for industrialisation in a developing country like India, it carefully analysed the issues pertaining to the choice of strategy to be followed through free market economy and controlled economy. The chapter concludes that despite many odds and limitations, industrialisation is the only solution to the varied problems but in its initial stages of development it may not be desirable to give a top priority to industrial development programmes, and therefore the role of agriculture has also been justified. Since planned industrialisation serves better in achieving balanced growth the strategy of controlled economies through various control measures and licensing of industries is also favoured. But in the ultimate analysis, the approach of our country to adopt the 'mixed economy' strategy is found to be
reasonable in the existing socio-economic set up.

Chapter II gives an account of the evolution of industrial policy and examines its implications in relation to the industrialisation of the country. With careful analysis of the Industrial Policies and the observations of the Industrial Planning and licensing Policy Committee (Hazari Committee) and the Industrial Licensing Policy Inquiry Committee (Dutt Committee) the chapter concludes that the industrial policies lacked objectivity and clarity since the very beginning and therefore its impact was not very favourable in giving way to rapid industrialisation on the stipulated lines. It led to many distortions and concentrations of economic power in a few hands. It has also been found that the Government has been introducing changes very frequently, sometimes genuinely and sometimes politically, the results of which could be observed in a mixed manner.

Chapter III attempts to trace out the historical perspective of industrialisation process before and after independence. It also critically examined the advent of modern enterprise in India and the emergence of State's directives and
controls for industrial growth and evaluates the impact of such interventions through Five Year Plans. It is concluded that industrialisation process got momentum after independence, particularly through the Five Year Plans and under the guiding instruments of industrial policy and regulation through various legislations.

Chapter IV examines the evolution of licensing process towards the socio-economic objectives of our country. It is concluded in this chapter that the social dimensions of licensing in the Five Year Plans have been changing but the focus of attention has always been the all round development and the prevention of concentration of economic disparities, so that the goals of socio-economic equality may be achieved in real terms. It is therefore felt that licensing in a changing economy cannot remain static and that it must always remain dynamic and must adapt and adjust in the changing economic conditions of the society.

Chapter V is devoted to examine the licensing administration and procedures along with the recent exemptions, changes and measures designed to improve the functioning of the entire
licensing system — administrative, procedural and factual. A careful analysis of data of the number of applications received and disposed of during 1970-85 revealed that the number of applications received in 1970 was 3033 which declined to 2721 in 1975 after which only marginal improvements and decelerations were seen up to 1985. The trends in the case of number of letters of intents issued during 1970-85 were more impressive than the industrial licences issued during the same period. In the case of clearing the backlog and disposal of licensing applications, the introduction of procedural and other changes brought about much impressive results. In brief, with the help of statistical data it is contended that the efficient processing of applications and decisions on them has been leaving a good impact on the functioning and performance of licensing authorities, but much still remains to be done.

Chapter VI is essentially an empirical work and has examined at length the impact of licensing on the growth of industries along the lines of socio-economic goals. It has tried to study the impact of various liberalisations through the years. It is encouraging to see that the response of
various policy measures on the industrial front has been quite satisfactory in the selected sectors. The general index has been steadily increasing though the pace is slow; much impressive result are observed in the production of some industries; while the performance of manufacturing sector in terms of capacity utilisation has not been quite satisfactory in 1984 as compared to 1970.

The impact of various liberalisations and concessions to industry have left a good impact on the growth of savings and investments in the private sector as the data reveals increasing trends during 1970-85.

The study, however, reveals that the policy of industrial controls and regulations through industrial licensing and its liberalisations have not left a good impact on curbing the growth of monopolies and concentration of industries in some areas.

With the available data, the analysis reveals that it has been observed that the impact of industrial licensing has not been quite satisfactory in the development of backward regions/states while that of schemes registered with D.G.T.D.
was better. Among the various reasons for this anomaly the important one is that in the case of registered schemes with the D.G.T.D. the procedure is comparatively simple than that of obtaining an industrial licence. It is viewed that an entrepreneur is still required to follow a cumbersome and time consuming procedure, before an industrial licence is obtained. It therefore looks obvious that the registered schemes with the D.G.T.D. have taken a lead over industrial licences issued to regions/states and their share in backward areas is also higher than the industrial licences. It is also observed that with the announcement of the Government's policy on decentralisation, the number of licences issued have declined. The average number of industrial licences issued during 1972-77 was 740 licences a year which declined to 530 licences per annum during 1978-83, representing a decline of about 28 per cent.

Even the announcement of various concessions, in the form of assistance and subsidies, for starting new industrial units in backward regions have kept the prospective investors reluctant to move to backward areas in a big way. But, it is significant to note that the percentage share of backward
regions in total industrial licences issued has been showing an increase of nearly 9 per cent in 1978-83 over 1972-77. This would go to prove that the process of dispersal of industrial activity has been slowly gaining ground.

A regionwise analysis of results reveals that Western region has occupied a dominant position in the industrial sphere by taking over one-third of industrial licences issued during 1972-77 and 1978-83, whereas Eastern and Central regions shared only about 10 per cent of licences issued during 1978-83.

On the other hand, in the case of registered schemes with D.G.T.D., a spectacular increase is observed both in the total number of such schemes issued and in the share of backward areas during the same period. The advanced states/regions of Western and Southern India are slowly sliding back and the backward regions, particularly the Central region, are making headway.

The statewise analysis of data reveals that the three backward states of Rajasthan, Assam and Madhya Pradesh have shown a discernible improvement in securing more and more licences and schemes for their backward areas. The Southern states of Kerala, Tamil Nadu, Karnataka and Andhra Pradesh have shown a modest performance; whereas Haryana and Punjab
have performed fairly satisfactory. In the case of Bihar, Orissa, Punjab, Gujarat and Maharashtra the progress has been rather slow while that of Uttar Pradesh is poor.

In view of the above results and conclusions, the following paragraphs dwell on the shortcomings of industrial licensing policy and procedures, and suggest measures for the growth of industries in a balanced, and coordinated and desired manner.

Though the Government has been streamlining the licensing procedures to make it simple and less time consuming, but it is found that due to multiple clearances by screening agencies and approving boards etc., it leads to abnormal delays in the grant of approval of licences. The Secretariat for Industrial Approvals (S.I.A.) is the central agency for receiving applications for licences but the

* Even after streamlining and simplifying the procedure there are five principal 'Approval Committees' - viz., Licensing-cum-MRIP Committee, Foreign Investment Board, Capital Goods Committee and Project Approval Board to consider and re-consider applications for licences.
responsibility for examining all cases lies with the administrative ministries and technical authorities like the D.G.T.D. It is for these reasons that the time limits prescribed for different categories of licences are generally exceeded. Delays in obtaining clearances, before and during implementation of projects unduly increase their project costs which consequently results in high cost of production.

In order to overcome this weakness, it is suggested that licensing procedures should be further streamlined and simplified. As far as possible there should be a 'single window' for all clearances required by an entrepreneur before implementation of a project.

Time schedules fixed for processing of applications should be strictly followed. In order to improve efficiency in processing of applications, computerised processing of applications should be adopted. If no decision is taken by the concerned authorities for grant of a licence within the stipulated time, the applicant should be allowed to understand that the project has been approved and that he can presume that the licence has been granted and he can initiate action on it.

After a licence has been granted, the implementation aspect of it is not looked into by the Government. It is observ
that the only source of knowing if the licence was implemented or not has been the information sent by the licensee half-yearly on 'Form G' to the concerned processing authorities — such as D.J.T.D., Textile and Jute Commissioners, Coal Controller, Iron and Steel Controller and the department of Petroleum. The result is that the authorities concerned remain ignorant about the implementation of the licences already granted. When the facts and discrepancies are known, it is found that a number of problems have been created for the Government as well as for the licensees. The Estimates Committee (1972-73) also observed this anomaly in these words, "...there were some (private parties) who kept the licences with them for more than 10 years."¹ Similar observations were made by other committees like the Dutt and Hozari Committees. It is a pity that such discrepancies are still being experienced, and no effective steps have been initiated. It is therefore suggested that the Government must establish a 'monitoring wing' to see that licences granted get implemented within stipulated time in letter and spirit.

The problem of industrial sickness has been a stumbling block in the way of rapid industrial development of our country. It has been the Government's policy to takeover such units which ultimately prove to be white elephants for the exchequers. It is suggested that takeovers of sick units should be initiated as a last resort. Since mismanagement and lack of finance are the main causes of industrial sickness, the Government must see that these are overcome and more financial incentives may be offered to genuine units suffering due to financial constraints. Voluntary merging of such units with healthy ones should also be encouraged.

In order to promote competition within the economy to result in lowering prices and improving quality of goods, produced, the Government has been resorting to delicensing of industries. It is suggested that though it may be encouraging but this process should be encouraged where the demand and supply gap is large, and where there is no or least import content and where the product is made for export purposes.

In order to overcome the problem of cost escalations
brought about by galloping inflation and other constraints, the time limit prescribed for according approval within 90 days for industrial licences should be reduced to 30 days, for foreign collaborations and capital goods clearances (FC and CG applications) the present time limit of 120 days should be reduced to 90 days, for composite applications, and applications requiring MRTP clearances the present time limit of 150 days should also be reduced to 90 days.

Last but not the least, the Government is expected to be liberal in streamlining the licensing procedures and reducing controls on the stipulated path of encouraging competition between private and public sectors on the one hand, but it should also introduce stringent penalties for industrial community transgressing the directives issued by the Government, and violating licensing regulations.