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) Liberalisation of Industrial Licensing Policy

The list of items requiring compulsory licensing is reviewed on an ongoing basis. At present, only six industries are under compulsory licensing mainly on account of environmental, safety and strategic considerations. Similarly, there are only three industries reserved for the public sector. The lists of industries reserved for the public sector and of items under compulsory licensing are at Appendix III and IV respectively.

ii) Introduction of Industrial Entrepreneurs' Memorandum (IEM)

Industries not requiring compulsory licensing are to file an Industrial Entrepreneurs' Memorandum (IEM) to the Secretariat for Industrial Assistance (SIA). No industrial approval is required for such exempted industries. Amendments are also allowed to IEM proposals filed after 1.7.1998.

iii) Liberalisation of the Locational Policy

A significantly amended locational policy in tune with the liberalised licensing policy is in place. No industrial approval is required from the Government for locations not falling within 25 kms of the periphery of cities having a population of more than one million except for those industries where industrial licensing is compulsory. Non-polluting industries such as electronics, computer software and printing can be located within 25 kms of the periphery of cities with more than one million population. Permission to other industries is
granted in such locations only if they are located in an industrial area so designated prior to 25.7.91. Zoning and land use regulations as well as environmental legislations have to be followed.

iv) Policy for Small Scale Industries

Reservation of items of manufacture exclusively for the small scale sector forms an important focus of the industrial policy as a measure of protecting this sector. Since 24th December 1999, industrial undertakings with an investment up to rupees one crore are within the small scale and ancillary sector. A differential investment limit has been adopted since 9th October 2001 for 41 reserved items where the investment limit up to rupees five crore is prescribed for qualifying as a small scale unit. The investment limit for tiny units is Rs. 25 lakhs.

749 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).

V) Non-Resident Indians Scheme

The general policy and facilities for Foreign Direct Investment as available to foreign investors/company are fully applicable to NRIs as well. In addition, Government has extended some concessions specially for NRIs and overseas corporate bodies having more than 60% stake by the NRIs. These inter-alia includes (i) NRI/OCB investment in the real estate and housing sectors up to 100% and (ii) NRI/OCB investment in domestic airlines sector up to 100%.

NRI/OCBs are also allowed to invest up to 100% equity on non-repatriation basis in all activities except for a small negative list. Apart from this, NRI/OCBs are also allowed to invest on repatriation/non-repatriation under the portfolio investment scheme.

vi) 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 repsect 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
vii) Policy for Foreign Direct Investment (FDI)

Promotion of foreign direct investment forms an integral part of India's economic policies. The role of foreign direct investment in accelerating economic growth is by way of infusion of capital, technology and modern management practices. The Department has put in place a liberal and transparent foreign investment regime where most activities are opened to foreign investment on automatic route without any limit on the extent of foreign ownership. Some of the recent initiatives taken to further liberalise the FDI regime, inter alia, include opening up of sectors such as Insurance (upto 26%); development of integrated townships (upto 100%); defence industry (upto 26%); tea plantation (upto 100% subject to divestment of 26% within five years to FDI); Encenhancement of FDI limits in private sector banking, allowing FDI up to 100% under the automatic route for most manufacturing activities in SEZs; opening up B2B e-commerce; Internet Service Providers (ISPs) without Gateways; electronic mail and voice mail to 100% foreign investment subject to 26% divestment condition; etc.

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