Unit IV

FINANCE OF AN INDUSTRY

Meaning of an Industrial Finance

Finance is considered as the life force of industry. Without getting adequate finance industrial development is not at all possible. Due to the lack of adequate finance, industrial development in India could not achieve a significant position and shape. Industries require short term, medium term and long term finance for meeting their requirements of fixed capital expenditure and also to meet their working capital needs.

- Long term, Medium term and short term finance
  - Long term Finance
    - Long term finance for industries those financial resources which are advanced to the industries by the banks for a period of 3 years and above. Long term finance is quite important for the expansion and modernization of industrial projects and also to meet its fixed capital expenditure requirement.
    - Long term finance is mostly available from the sale of shares and debentures, and loan from term lending financial institutions like IFCI, IDBI, ICICI, SFC etc.
  - Medium term finance
    - Medium term loan is also available from banks and other financial institutions for a period above 1 year and up to 3 years
  - Short Term Finance
    - Short term finance for industries includes those financial resources which are advanced by banks to the industries for a period varying between 1 month to 12 months. Short term finance is required to meet working capital needs and other sundry expenses of the industrial projects.

      Commercial bank offer short term loans on cash credit basis on the security or stocks and overdraft facilities to the industries. Industries can also raise short term finance by raising public deposits for one to three years .

Sources of Industrial Finance

- Shares and Debentures: Industries are normally raising a major portion of their capital by selling shares in low denominations of Rs. 10 each. Share may be a preference share or an ordinary share.

  Debentures are also issued in the capital market by the companies and in recent years convertible debentures.

- Public Deposits: Industrial finance is the deposit raised from the public. In recent years, many industrial firms have joined hands in inviting deposits from public for one to three years by offering attractive rates of interest. The main defect of this source is that these deposits may be withdrawn at any moment and cannot be used for ling term investment projects.

- Commercial banks: Commercial banks are also offering short term loans on cash credit basis on the security of stock and on the additional guarantee of the managing agent. The commercial banks are generally advancing loan for meeting working capital needs of the industries in the form of advancing loan, overdraft, and cash credit facilities against government securities and pledge of stocks.

- Indigenous Bankers: In India indigenous bankers have been rendering important services to industry in time of their difficulty. In urban areas both the small and medium size industries are getting sufficient finance from indigenous bankers. But these indigenous bankers normally charge exorbitant (very high) rate of interest on such loan.

- Term Lending Institutions: Various term lending institutions have been developed to advance loan in order to meet financial requirement of these industries. These institutions include IFCI (Industrial Financial Corporation of India), ICICI (Industrial Credit Investment Corporation of India, IDBI (Industrial Development Bank of India, IRCI (Industrial Reconstruction Corporation of India, SFC (State Finance Corporation), etc.

- Retained Profits: Retained profits or undistributed profits of the industries are also being ploughed back into the industry for meeting its requirements of replacement, modernization and expansion.

Direct and Indirect Finance

Direct Financing: The direct financial arrangements take place through financial markets, markets in which h lenders (investors) lend their savings directly to borrowers. Brokers, dealers and investment bankers play important roles in direct financing.

Dealers carry an inventory of securities from which they stand ready either to buy or sell particular securities at stated process. The inventory of securities held by a dealer is called a position. Taking a position is an essential part of a dealer's operation. The dealers who make a market if a security quote a price at which they are willing to buy and a price at which they are willing to sale. They make profits on the spreads between the bid and ask price. Brokers provide a pure search service in that they act merely as matchmakers, bringing lenders and borrowers together. Brokers differ from dealers in the brokers do not take positions. Either a buyer or a seller of securities may contact a broker. Their profits are derived by charging a commission for their services.

Indirect Finance: Financial intermediaries purchase direct claims with one set of characteristics from borrowers and transform them into direct claims with different set of characteristics, which they sell to the lenders. The transformation process is called intermediation. The financial intermediation market the lenders' claim is against the financial intermediaries rather than the borrower. In producing financial commodities, intermediaries perform the following asset transformation services

1. Denomination divisibility
2. Maturity flexibility
3. Diversification
4. Liquidity

INDUSTRIAL FINANCE CORPORATION OF INDIA (IFCI)

The question of setting up an institution to solve the problem of long term financing of industries had been baffling (unsolved) the minds of financial experts and legislators for more than 50 years. The industrial Commission (1916-18), the External Capital committee (1925) and the Indian Central Banking Enquiry committee(929-31) had stressed the need for setting up of such institution, but no action was taken by the government. The grater need of the finance such institutions the over worked units during the second world war period forced the government to set p industrial finance corporation of India which came into existence on the 1st July 1948. The corporation came into existence for the purpose of making medium and long term credits more readily available t industrial concerns in India.

Functions of IFCI

1. Underwriting the shares, bonds or debentures of industrial enterprises; provided such stocks, shares or debentures are disposed of by the corporation within a period of seven years from the date of acquisition.
2. Granting loans or advances to or subscribing to the debentures of industrial undertaking repayable within a period not exceeding 25 years
3. Guaranteeing loans traded in the public market by the industrial concerns, repayable within 25 years or raised from scheduled banks or state co operative banks
4. Subscribing directly to the stock or shares of any industrial concern
5. Guaranteeing deferred payments in respect of import of capital goods by industrial concerns that are able to make such arrangements with foreign manufacturers or in connection with the purchase of capital goods manufactured in India.

IFCI Act was amended by the enactment of Industrial Finance Corporation (Amendment) Act, 1982, which came into force with effect from 12th March 1982. The amendment Act of 1982 has considerable enlarged the scope and coverage of IFCIs operation with a view to meeting the rapidly growing requirements of the industry. IFCI, by virtue of the amendment has also been authorized for carrying out certain incidental activities such as:-

- Undertaking research and surveys for evaluating or dealing with marketing or investments and undertaking and carrying on techno economic studies in connection with the development of industry
- Providing technical and administrative assistance to any industrial concern for the promotion, management or expansion of any industry and
- Undertaking Merchant Banking operations.

The amendment act of 1982 has removed limitations on the borrowings of IFCI. Besides, IFCI has been authorized to accept deposits repayable after the expiry of a period of not less than 12 months from the date of making of the deposit on such terms and conditions as my be appr4oved by IDBI. Further, IFCI is now vested with powers to acquire as well as to transrrrfe3r rights in relation to the lending's made by it or by other institutions, facilitating thereby inter institutional operations. The enlarged scope and activities also enable IFCI to participate in most of the activities which IDBI, as an apex institution, is authorized to undertake.

Sectors in which IFCI has played a major role

- Service industries (hotels, hospitals)
- Infrastructure
- Consumer goods industry
- Capital and intermediate goods industries
- Basic industries

Role of IFCI

IFCI is the first most development financial institution which was being set up by the government of India on July 1st 1948. The main objective of IFCI was to provide long term financial assistance to the industrial units in India to boost the economic development of the country. The central banks statutory liquid ration SLR provided an access to low cost funds to IFCI in order to provide long term funds to the corporation borrowers at discount rates.

IFCI has provided long term financial assistance to almost all the industrial units of the Indian market. It has also played a significant role in transforming the government's aspiration into reality. Before ICIC and IDBI came into existence in the year 1956 and 1964, IFCI carried out the entire responsibilities tagged with governments industrial policy initiatives all alone.

Effects of the role of IFCI in Foreign Investments

- Advancement of the industrial units in India
- Export promotion
- Import substitution
- Development of entrepreneurship
- Conservation of energy
- Generation of Direct and Indirect employment opportunities.

STATE FINANCIAL CORPORATIONS (SFCS)

Though the establishment of industrial Finance Corporation of India in 1948 bridged a serious gap in institutional finance for large scale industries, the problem of the long and medium term capital requirements of small scale and medium sized industries was not solved. It was felt that a separate corporation at the state level for the above purpose would be desirable. Accordingly, the government of India passed in 1951 the State Financial Corporations Act. The State Financial Corporations are in all respects miniature (little) additions of the IFCI at the centre.

Under the above Act, the first State Financial Corporation to be set up was the Punjab State Financial Corporation in 1953. The number of State Financial Corporation increased to six by the end of 1953-54, 10at the end of 1954-55, 13 at the end of 1955-56, 15 at the end of 1960-61 and the number stands at 18 at present including the Madras Industrial Investment Corporation Ltd., which was established before the passing of the SFCs Act.

Functions

State Financial Corporation are in effect state version of IFCI. They closely follow types of assistance rendered by IFCI. They are authorized to provide financial assistance in the following ways:-

1. Granting loans or advances or subscribing to debentures of industrial concerns repayable within 20 years
2. Guaranteeing loans raised by industrial concerns which are repayable within a period of 20 years and
3. Underwriting the stocks, shares, bonds and debentures which have to be disposed of within seven years.
4. Providing foreign exchange loans under the world bank scheme
5. Participating in the equity capital of the small scale industrial units coming up in the backward areas
6. Providing for discounting of bills of exchange

   Besides, the SFCs act as the agents of the central government, state Governments, the IFCI or any other financial institution for the grant of loans or advances to or subscribing to the debentures of an industrial concern.

   The SFCs cannot grant assistance to a concern that’s paid up capital and free reserves together exceed Rs. 20 crores.

The State Financial Corporations can assist not only public limited companies but also private limited companies, partnership firms and proprietary concerns financial assistance is rendered primarily for block capital requirements of industrial concerns and only in exceptional cases for working capital needs. The period of loans given for block capital requirements is generally 10 to 12 years. Loans are granted generally on the first mortgage of fixed assets in the form of lands, buildings, plant and equipment. They are adequately secured since not more than 50 percent of the value of the mortgaged asset will be given as a loan. Loans granted by the corporations only after the scrutiny of technical soundness of the proposals put forward by industrial concerns. The corporations keep a watch on the progress of the industrial concerns by obtaining periodic reports from them and trough inspection by their officials. They are empowered to take over the management of the industrial concerns and to sell the mortgaged property in case of default in repayment of loans.

INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI)

The Industrial Credit and Investment Corporation of India started its functioning as a private limited company from 5tj January 1955. This corporation was the outcome of the advice given by a three man mission sponsored by the World Bank and the Government of the USA to the Government of India. The mission pointed out that there was an urgent necessity in India for setting up a special institution of Quasi Government character on the lines of the Industrial and the Commercial Financial Corporation of the UK. The Government of India accepted the mission's view and floated the ICICI with the specific purpose of assisting of industrial concerns in the private sector particularly small and medium scale industries.

Management

A Board of Directors consisting of not less than 5 and not more than 15 excluding the government director and debenture director, if any, manage the corporation. The Government of India as been vested with the power of appointing a director as long as the corporation is indebted to it. All the executive powers have been entrusted to a full time paid chairman from 1958 onward. The government of India and the corporation has come to an understanding that they should try to prevent any one group of affiliated persons or companies from acquiring control over the corporation. For ensuring this, the board of directors meticulously (carefully) exercises their rights with respect to the registration of transfer of shares

The role of the corporations is

- Encouraging and promoting the participation of private capital, both internal and external, in industrial concerns.
- Expansion of investments
- Assisting in the expansion, modernization and creating of private enterprises.
- Provide finance in the form of loans for equity participation
- Sponsoring and underwriting new issues of shares and securities
- Guaranteeing loans from other private investment sources
- Making funds available fir reinvestment by resolving investment as rapidly as possible

- Furnishing managerial, technical and administrative services and assisting in obtaining these services to the industrial concerns in the country.

Functions of ICICI

- To assist industrial concerns with loans and guarantees for loans either in rupees or in any foreign currency
- To assist in the creation, expansion and modernization of the industrial units lying within private sector
- To encourage and promote private capital, both internal and external to participate in such enterprises
- To underwrite ordinary and preference shares and debentures and subscribes directly to ordinary and preference shares issues
- To encourage and promote private ownership of industrial investment along with the expansion of investment markets.

NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION (NIDC)

This is a state sponsored corporation with capital provided entirely by the government of India. This corporation was set up in 1954 with an authorized capital of Rupees One Crores and subscribed capital of Rs. 10 lakhs. The primary object of the corporation is to enable the government to promote the development of basic and heavy industries particularly those which are necessary to full up the gaps in the industrial structure. As stated by Mr. T.T. Krishnamachari, the then Minister of Commerce and Industry. :the idea of starting the corporation is for financing risky and large capital consuming projects which the private sector would not touch with a pair of tongs. In the field of consumer goods industries, private enterprise would be able to meet the needs of the country with a little external assistance or with no assistance. But in the field of basic and key industries private enterprise might not be able to achieve much by itself, but could contribute a great deal, if liberal government assistance was sanctioned. Hence, the importance of the corporation which could undertake project studies and provide technical services and investments wherever necessary to execute the projects is very great.

FUNCTIONS

- Provision of designs and consultancy services through its technological consultancy bureau
- Formulation and execution of projects for the establishment of new industries and the development of new lines of production
- Financing the modernization and rehabilitation schemes of machine tools, cotton and jute industries on behalf of government. It is a financial PSU. A wing of Ministry of Commerce and Industry, Government of India.

Role

The National Industrial development Corporation has been functioning effectively as an instrument of government for securing a balanced and integrated development of industries both in public and private sectors. It has been setting up new industries and developing new lines of production. It has also taken up the study and investigation of industrial schemes, ensuring the maximum possible use of industrial equipment, and also the available skill and experience in the country. The industries which have been set up in turn encourage the growth of ancillary industries.

The promotion activities undertaken by development corporations in the area of agro based industries, fisheries, textile, and jute and similar other activities have boosted overall production and the marketing of these products. On a wider scale the development corporations have also been effective in bringing about social transformation especially for the scheduled castes and tribes and in the tribal areas. They have inculcated the spirit of self help and provided sources of employment to the large number o vulnerable sections of the society

INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI)

Industrial Development Bank of India established under Industrial Development Bank of India Act, 1964, is the principal financial institution for providing credit and other facilities for developing industries and assisting development institutions.

Till 1976, IDBI was a subsidiary bank of RBI. In 1976 it was separated from RBI and the ownership was transferred to Government of India. IDBI is the tenth largest bank in the world in terms of development. The National Stock Exchange (NSE), the National Securities Depository Services Ltd. (NSDL), Stock Holding Corporation of India (SHCIL) is some of the institutions which have been built by IDBI.

Management and its organization

IDBI consist of a Board of Directors, consisting of a chairman and managing director appointed by the Government of India, A Deputy Governor of the RBI nominated by that bank and 20 other directors are nominated by the central government.

The board had constituted an executive committee consisting of 10directors, including the chairman and managing director. The executive committee is empowered to sanction financial assistance.

The head office of IDBI is located in Mumbai. The bank has 5 regional offices, one each in Kolkata, Guwahati, New Delhi , Chennai and Mumbai. Besides the bank have 21 branch offices.

Functions of IDBI

- To provide financial assistance to industrial enterprises.
- To promote institutions engaged in industrial development

- To provide technical and administrative assistance for promotion management or expansion of industry
- To undertake market and investment research and surveys in connection with development of industry.

Features of IDBI

- The IDBI has been delinked from the reserve bank of India with effect from 16th February 1976. The share capital of IDBI formerly held by the RBI has been transferred to GOI.
- The IDBI which was formerly having the same board of directors as the RBI, is now having a separate board of directors comprising many professionals
- The central government has been empowered to issue directives to the IDBI on matters of policy.
- Share holding of the RBI in the State Financial Corporations, has been taken over by the IDBI. The functions relating to supervision over the operations of SFCs including statutory inspections have also been transferred to the IDBI.
- The initial capital of the Unit Trust of India has been taken over by the IDBI from the RBI With the transfer of the initial capital, the powers relating to appointment of chairman, executive trustees and nominations of four trustees on the board of trustees, formerly vesting in the RBI, have been transferred to the IDBI and
- The IDBI has been given representation on the Board and Investment Committee of the Life Insurance Corporation

SMALL INDUSTRIAL DEVELOPMENT BANK OF INDIA (SIDBI)

SIDBI is a wholly owned subsidiary of IDBI established under the special Act of the Parliament 1988 which became operative from April 2, 1990.

SIDBI is the Primary Financial Institution for Promoting, developing and financing MSME (Micro, Small and Medium Enterprise) sector. Besides focusing on the development of the Micro, Small and Medium Enterprise Sector, SIDBI also promotes cleaner production and energy efficiency. SIDBI helps MSMEs in acquiring the funds they require to grow market, develop and commercialize their technologies and innovative products. The bank provide3s several schemes and also offers financial services and products for meeting the individuals requirement of various businesses.

Functions of SIDBI

- Small industrial development bank of India refinances loans that are extended by the

PLIs to the small scale industrial units and also offers resources assistance to them

- It discounts and rediscounts bills
- It also helps in expanding marketing channels for the products of SSI sector both in the domestic as well as international markets
- It offers services like factoring, leasing, etc to the industrial concerns in the small scale sector
- It promotes employment oriented industries particularly in semi urban areas for creating employment opportunities and thus checking relocation of people to the urban areas
- It also initiates steps for modernization and technological up gradation of current units
- It enables the timely flow of credit for working capital as well as term loans to small scale industries in cooperation with commercial banks
- It also co promotes state level venture funds

Role of SIDBI

- To promote marketing of products of small scale sector
- To upgrade technology and also undertaking modernization of small scale units
- To provide more financial assistance to small scale ancillary and tiny sector
- To encourage employment oriented industries
- To coordinate all the other institutions involved in the promotion of small scale industries.

UNIT V

INDUSTRIAL DEVELOPMENT IN INDIA

Meaning

The relative backwardness of industrial development in India may be judged from the fact that, the industrial output in 1948-49 accounted for only about 6.6 % of the total national income and that the total labour force engaged was only about 2.4 million. Though the aggregate industrial output was very high, the per capita income was very low when compared with the other advanced countries.

The Second World War as its consequences gave immense impetus to many Indian industries such as iron and steel, cotton textiles, jute, cement, etc. Many of them were expanded subsequently. In addition, some new industries like shipbuilding, diesel engines, locomotives, automobiles, textile machinery, bicycles, sewing machines, ball and roller bearings and rayon industries were set up.

Need for Industrial Development

- Modernization of Industry: Industrial development is necessary for modernization of agriculture. In India, agriculture is traditional and backward. The cost of production is high and productivity is low We need tractors, pump sets and harvesters to modernize agriculture To increase productivity, we need chemical fertilizers, pesticides and weedicides etc. These are all industrial products. Without industrial development, these goods cannot be produced. Agricultural products like Jute, Cotton, and Sugarcane etc. are raw materials. To prepare finished products like, textiles, and sugar etc we need industrialization. So industrial development is necessary for modernization of agriculture.
- Development of Science and Technology: Industrial development encourages the development of science and technology. The industrial enterprises conduct research and develop new product. Ethanol in the form of biofuel is an example of industrial development. Industry conducts research on its wastes and develops byproducts like biodiesel from Jatropha seeds. Due to industrialization, we have made progress in atomic science, satellite communication and missiles etc.
- Capital Formation: Acute deficiency of capital is the main problem of Indian economy. In agriculture sector, the surplus is small. Its mobilization is also very difficult, In large scale industries, the surplus is very high. By using external and internal economies, industry can get higher profit. These profits can be reinvested for expansion and development. So industrialization helps in capital formation.

- Industrialization and urbanization: Urbanization succeeds industrialization. Industrialization in a particular region brings growth of transport and communication. Schools, College technical institutions, banking and health facilities are established near industrial base. Many ancillary units have been established after setting up of big industry.
- Self Reliance in Defense Production: To achieve self reliance in defense production, industrialization is necessary. During war and emergency dependence on foreign countires for war weapons may prove fatal. Self reliance in capital goods and industrial infra structure is also necessary. Atomic explosion at Rajasthan and Agni missile are examples of industrial growth.
- Use of Natural Resources: It is a common saying that India is a rich country inhabited by the poor. It impels that India is rich in natural resources but due to lack of capital and technology, these resources have not been tapped. Resources should be properly utilized to transform them into finished industrial products. Hence industrialization plays important role for proper utilization of resource.

INDUSTRIAL POLICY OF 1948

Since independence, the Government of India has announced two important industrial policy resolutions – one in 1948 and the other in 1956. The Industrial policy resolution of 1948 was in force up to 1956 i.e. 8 years. Later, in view of the circumstances prevailing, the Government announced its second Industrial policy in 1956, which replaced the Industrial policy resolution of 1948.

Features of Industrial Policy of 21948

1. Category of Industries: Large scale industries were divided into four categories
    a. Public Sector: It includes industries owned and managed by Government viz., Arms and ammunitions atomic energy and railways.
    b. Public –cum-private sector: It includes six basic industries coal. Iron and steel, aircraft manufacture, ship building, mineral oil, telephones, cable and wireless industry. The new ventures relating to these industries will be established by Govt. and already existing units will continue to be managed and developed for next 10 years by private sector
    c. Controlled private sector: It includes 18 important industries viz. motor vehicles, heavy machine tools, cotton textiles, cement, sugar, paper, shipping material and tractor. These industries will continue to remain under private sector but Central government will have overall control over them.
    d. Private and co-operative sector: The rest of the industries will be run under private ownership or on co operative basis Gove. Can keep check on these.

2. Cottage and Small Scale industries: Rapid development of these industries was emphasized in order to use local resources generating employment and production of consumer goods.

3. Employee – employer relation: It was aimed that employee employer relations should be congenial (friendly). The worker should get fair wages and social security.

4. Control over Foreign Capital: The role of foreign capital for industrial development was recognized. But Govt. took full control over foreign capital to watch the interests of nation.

5. Development of Infrastructure: Special stress was laid on development of roads, railways, electricity and irrigation etc.

Critical Appraisal

The basic idea of the industrial policy resolution was to control the capitalistic form of industrial organization and introduce a form of institutional frame work which is called mixed economy. This is a welcome feature from the view point that the government was allowed to take an active role in the industrialization of the country rather than leaving the job entirely to the private sector. Many industrialists argued the policy as prejudicial to them. On the other hand, supporters of socialism favored the policy as a good step towards establishment of democratic socialism. While there was little or no criticism of the government policy with regard to categories. 1,3 and 4, it was felt that there exists a threat of nationalization with regard to the second category where existing private industries were to be allowed for ten years to continue in private sector and were subjected to take over by government after a review of their performance.

THE INDUSTRIAL POLICY RESOLUTION - 1956.

The industrial policy resolution, presented to the Lok Sabha by the Prime Minister on the 30th April 1956, replaced the original industrial policy resolution of 1948 which had hitherto (till then) guided the industrial policy of the govt. The revised policy had been announced in view of the developments in the country since 1948. The noteworthy factors that necessitated the give to plan the new industrial policy resolution were the enactment of the constitution of India guaranteeing certain fundamental rights to all citizens, the directive principles of state policy, acceptance of socialistic pattern of society as the objective of social and economic policy, the successful completion of the First five year plan and the need for placing the second five year plan before the country with rapid economic development as its objective.

Features of industrial policy resolution 1956

In a short period of operation of the 1948 Industrial policy some significant changes took place in the economic and political spheres that called for changes in industrial policy as well. The country hand launched a programme of planned economic development with the first five year plan

The second five year plan gave high priority to industrial development aimed at setting up a number of heavy industries such as steel plants, capital goods industries, etc. for which direct government participation and state involvement was needed.

Further in December 1954, the parliament adopted the socialistic pattern of society as the goal of economic policy which called for the state or the public sector to increase its sphere of activity in industrial sector and thus prevent concentration of economic power in private hands. In view of ail these developments, a new industrial policy was announced in April 1956. The main features of this industrial policy resolution of 1956 were as follows:

New Classification of industries

The industrial policy 1956 adopted the classification of industries into three categories

1. Schedule A industries: Which contained 17 industries. All new units in these industries, such where their establishment in the private sector has ready been approved, would be set up only be the state.
2. Schedule B: Which contained 12 industries such industries would be progressively state owned, but private enterprise is expected to supplement the4 efforts of the state in these fields.
3. Schedule C: All remaining industries fell in this category the future development of these industries had been left to the initiative and enterprise of the private sector.

Assistance to Private Sector

While the industrial policy of 1956 sought to give a dominant role to public sector at the same time it assured a fair treatment to the private sector. The policy said that the state would continue to strengthen and expand financial institutions that extend financial assistance to private industry and cooperative enterprises. The state would also strengthen infrastructure (power, transport etc) to help private sector.

Expanded role of cottage and small scale industries

The industrial policy of 1956 laid stress on the role of cottage and small scale industries for generating larger employment opportunities, making use of local manpower and resources and reducing regional inequalities in industrial development. It also stated that the government would continue pursuing a policy of supporting such industries through tax concessions and subsidies.

Balanced industrial growth among various regions

The industrial policy 1956 helped to reduce regional disparities (inequality) in industrial development. The policy stated that facilities for development will be made available to industrially backward areas. The state, apart from setting up more public sector industries in these backward areas , will provide incentives such as tax concession, subsidized loans etc. to the private sector to start industries in these backward regions.

Role of Foreign Capital

The industrial policy 1956 recognized the important role of foreign capital in country's development. The foreign capital supplements domestic savings. Provides more resources for investment and relieves pressure on balance of payment. The country therefore welcomed inflow of foreign capital. But the Policy made it clear that inflow of foreign capital will be permitted subject to the condition that major share in management, ownership and control should be in the hands of Indians.

THE INDUSTRIAL POLICY 1990'S

The industrial policy 1990 was announced on 31st May 1990, by the then Union Industries Minister, Shri Ajit Singh. It should be noted that this policy statement was of only historical importance since the policy guidelines were not translated into action since V.P. Singh Government was out of power a few months after the announcement of the industrial policy 1990.

The government has been considering the need to take measures for promotion of small scale and agro based industries and to change procedures for grant for industrial approvals

Features of Industrial Policy, 1990

1. The investment ceiling in plant and machinery for small scale industries was raised from present Rs. 35 lakhs to Rs. 60 lakhs and correspondingly, for ancillary units from Rs. 45 lakhs to Rs. 75 lakhs. Units with at least 30 percent of annual production for export would be permitted to setup their investment in plant and machinery to Rs 75 Lakhs.

2. Investment ceiling in respect of tiny unit would be increased from present Rs 2 lakhs to Rs 5 lakhs.

3. i. Presently 836 items have been reserved for exclusive manufacture in the small scale sector. Efforts would be made to indentify more items amenable to similar reservation.

   ii. A new scheme of central investment subsidy exclusively for the small scale sector in rural and backward areas capable of generating higher level of employment at lower capital cost would be implemented.

   iii. With a view to improve the competitiveness of the products manufactured in the small scale sector; programmes for modernization and up gradation of technology would be implemented.

iv. a new apex bank SIDBI has been established to ensure adequate and timely flow of credit for the small scale industries.

v. The existing regime of fiscal concessions would be reviewed to provide sustained support to the units in the small scale sector and to remove the disincentive for their graduation and further growth.

4. In order to assist the large number of artisans engaged in the rural and cottage industries, the activities of the KVIC and KVI would be strengthened to discharge the responsibility more effectively. Special marketing organizations at the centre and state levels shall be created to assist rural artisans in marketing their products and also in supply of raw materials.
5. In agro processing industries greater success has been achieved where growers and processors have been integrated as in the case of sugar. The industrial policy would especially promote such projects which are organized in close cooperation on the basis of joint ownership.
6. In sectors where units require licensing, the policy would also encourage location of processing units in rural areas where growers are concentrated. It would help in dispersal of industry and increasing employment in rural areas.
7. Agro processing industry would receive high priority in credit allocation from the financial institutions.
8. All new units up to an investment of Rs. 25 crores in fixed assets in non backward areas and Rs. 75 crores in centrally notified backward areas would be exempted from requirement of obtaining license/registration.
9. For the import of capital goods, the entrepreneur would have entitlement to import up to a landed value of 30 percent of the total value of plant and machinery required for the unit
10. For imports of raw materials and components, imports would be permissible up to a landed value of 30 percent of the ex factory value of annual production

INDUSTRIAL GROWTH AND INDUSTRIAL PATTER IN INDIA

An industrial growth is that sector of an economy which experiences a higher than an average growth rate as compared to other sectors. Industrial growth are often new or pioneer industries that did not exist in the past. Their growth is result of demand for new products or services offered by companies in the field. An example of industry growth is the technology sector, whose products have become runaway hits with consumers and led to multibillion dollar valuations for tech companies in the stock market.

Understanding growth industries

Several factors are responsible for catalyzing a growth of industry.

- One of them is the advent of new and innovative technologies that can drive entrepreneurs and startups to develop new products and services related to the industry. Given the constantly changing nature of technology, the rationale behind investing in such technologies is the promise of exponential future growth.
- The Smartphone industry , which packed multiple innovative technologies into a single phone became a growth industry during the earlier part of this decade. In recent times, virtual reality and machine learning are two examples of such an approach. Virtual reality is an immersive, computer generated scenario that can simulate a real experience. It has applications across many industries, from virtual reality headsets for gaming to simulations for driving tests and for learning in medical schools.
- Big data involves the processing of large amounts of data for research or to identify trends and statistical probabilities. Companies in big data provide services to large corporations or industries such as healthcare. Startup and companies in the sector have multiplied as the technology becomes popular. Investors typically value companies at a multiple of their current earnings and their future growth potential,.
-