



Industrial Licensing Policy

Manisha Gupta

Lecturer in Commerce
Govt. P.G. College, Gohana, Sonapat (Haryana)

Abstract

Industrial Licensing is governed by the industries (Development & Regulation) Act, 1951. The industrial Policy Resolution of 1956 identified the following three categories of industries: those that would be reserved for development in public sector, those that would be permitted for development through private enterprise with or without State participation and those in which investment initiatives would ordinarily emanate from private entrepreneurs. Over the years, keeping in view the changing industrial scene in the country, the policy has undergone modification. Industrial licensing policy and procedures have also been liberalized from time to time. A full realization of the industrial potential of the country calls for a continuation of this process of change.

Keywords: *Objectives of Licensing, Industrial Licensing Policy.*

Introduction

Industrial Licensing is governed by the Industries (Development & Regulation) Act, 1951. The Industrial Policy Resolution of 1956 identified the following three categories of industries: those that would be reserved for development in public sector, those that would be permitted for development through private enterprise with or without State participation, and those in which investment initiatives would ordinarily emanate from private entrepreneurs. Over the years, keeping in view the changing industrial scene in the country, the policy has undergone modifications. Industrial licensing policy and procedures have also been liberalised from time to time. A full realisation of the industrial potential of the country calls for a continuation of this process of change. The winds of change have been with us for some time. The

industrial licensing system has been gradually moving away from the concept of capacity licensing. The system of reservations for public sector undertakings has been evolving towards an ethos of greater flexibility and private sector enterprise has been gradually allowed to enter into many of these areas on a case by case basis. Further impetus must be provided to these changes which alone can push this country towards the attainment of its entrepreneurial and industrial potential. This calls for bold and imaginative decisions designed to remove restraints on capacity creation, while at the same, ensuring that over-riding national interests are not jeopardized.

Objectives of Licensing

1. Development and control of industrial investment and production as per objectives of plans.
2. Checking the concentration of economic power.
3. Encouraging the small scale industry.
4. Regulating location of industrial units and ensuring balanced regional development.
5. Promoting technological advancements in industries.
6. Encouraging new entrepreneurs for setting industries.

Industrial Licensing Policy

1. Industries licensing policy are regulated under the Industries Development Regulation Act 1951

2. At present Industrial Licensing for manufacturing is required in case of :-

- Industries under compulsory licensing
- Manufacture of item reserved for SSI sector by non SSI units
- Project location attracts locational restrictions

Compulsory Licensing

Following industries require compulsory industrial licence under the provisions of I(D&R) Act, 1951.

1. Distillation and brewing of alcoholic drinks.
2. Cigars and cigarettes of tobacco and manufactured tobacco substitutes;
3. Electronic Aerospace and defence equipment: all types;
4. Industrial explosives, including detonating fuses, safety fuses, gun powder, nitrocellulose and matches;
5. Hazardous chemicals;

- Hydrocyanic acid and its derivatives
- Phosgene and its derivatives
- Isocyanates and di-isocyanates of hydrocarbon, not elsewhere specified (example: Methyl Isocyanate.)

Large or medium industries undertaking manufacture of items reserved for SSI units. The Government has reserved certain items for exclusive manufacture in the small scale sector. Non-small scale units can undertake the manufacture of items reserved for small scale sector, only after obtaining an industrial licence. In such cases, the non-small scale unit is required to undertake an obligation to export 50% of the production of SSI reserved items.

Locational Restrictions

Industrial undertakings are free to select the location of their projects. Industrial licence is however required if the proposed location is within 25 km of standard urban area limits of 23 cities having a population of one million as per 1991 Census. In Gujarat, this provision is applicable in the case of 3 cities namely Ahmedabad, Vadodara and Surat.

The Locational restriction however does not apply:

1. If the unit were to be located in an area designated as an "industrial area" before the 25th July, 1991.
2. In the case of Electronics, Computer software and Printing and any other industry, which may be notified in future as "non polluting industry". The location of industrial units is subject to applicable local zoning and land use regulations and environmental regulations.

Procedure for Obtaining Industrial Licence

Industrial licence is granted by the Secretarial of Industrial Assistance (SIA) on the recommendation of the Licensing Committee. For the purpose, application in the rescribed form (Form FC-IL) accompanied by a crossed demand draft of Rs.2,500/- may be submitted to PR&C Section in SIA.

Delicensed Industries

Industries exempted from the provisions of Industrial Licence are required to file Industrial Entrepreneur's Memorandum (IEM)

Conclusion

In the above context, industrial licensing will henceforth be abolished for all industries, except those specified, irrespective of levels of investment. These specified industries will continue to be subject to compulsory licensing for reasons related to security and strategic concerns, social reasons, problems related to safety and over-riding environmental issues, manufacture of products of hazardous nature and articles of elitist consumption. The exemption from licensing will be particularly helpful to the many dynamic small and medium entrepreneurs who have been unnecessarily hampered by the licensing system. As a whole the Indian economy will benefit by becoming more competitive, more efficient and modern and will take its rightful place in the world of industrial progress.

References

- [1] Altenburg, Tilman (2011). Industrial Policy in Developing Countries: Overview and lessons from seven country cases. Bonn: German Development Institute. ISBN 978-3-889-85533-6.
- [2] Amsden, Alice H. (1992). Asia's Next Giant: South Korea and Late Industrialization. Oxford: Oxford University Press. ISBN 978-0-195-07603-5.
- [3] Bingham, Richard D. (1998). Industrial Policy American Style: From Hamilton to HDTV. Armonk, NY: M.E. Sharpe. ISBN 978-1-563-24596-1.
- [4] Carey, Matthew (1826). Cursory View of the Liberal and Restrictive Systems of Political Economy. Philadelphia, PA: J. R. A. Skerrett.
- [5] Chang, Ha-Joon (2002). Kicking Away the Ladder: Development Strategy in Historical Perspective: Policies and Institutions for Economic Development in Historical Perspective. London: Anthem Press. ISBN 978-1-843-31027-3.
- [6] Cimoli, Mario; Dosi, Giovanni; Stiglitz, Joseph E., eds. (2009). Industrial Policy and Development: The Political Economy of Capabilities Accumulation. Oxford: Oxford University Press. ISBN 978-0-199-23526-1.
- [7] Gereffi, Gary; Wyman, Donald L. (1990). Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia. Princeton, NJ: Princeton University Press. ISBN 978-0-691-02297-0.
- [8] Graham, Otis L. (1994). Losing Time: The Industrial Policy Debate. Cambridge, MA: Harvard University Press. ISBN 978-0-674-53935-8.
- [9] Hamilton, Alexander (1827) [1791]. Report on the Subject of Manufactures. Philadelphia, PA: William Brown. Retrieved 25 August 2012