

Industrial Policy

4. In 1997-98, the number of industries subject to compulsory industrial licensing has been reduced from 14 to 9. Five industries, namely, animal fats and oils, tanned or dressed fur-skins, chamois leather, asbestos and asbestos-based products, plywood, veneers of all types, and other wood based products like particle board, medium density fibre board/block board and paper and newsprint except bagasse- based units, were removed from requirements of compulsory licensing. The investment ceiling on plant and machinery for small scale industrial undertakings/ ancillary industrial undertakings has been enhanced from Rs.60 lakh/Rs.75 lakh to Rs.3 crore and for tiny units to Rs.25 lakh from Rs.5 lakh. 15 items, hitherto reserved exclusively for manufacture in the small sector have been de-reserved.

5. The list of industries eligible for foreign direct equity investment under the automatic approval route by RBI has been expanded in 1997-98. Equity investment up to 100 per cent by NRIs/ OCBs, has been permitted in high priority industries. These include 9 high priority industries in metallurgical and infrastructure sectors and 13 other priority industries, hitherto eligible for 74 per cent and 51 per cent equity investment respectively. Foreign equity investment in mining(3 categories of industries) has also been allowed upto 100 per cent for NRIs/OCBs. These investments, through the automatic approval route of RBI, have full benefits of capital repatriation. The existing ceiling of 24 per cent for aggregate portfolio investment limit for NRIs/OCBs/FIIs can

now be raised to 30 per cent of the issued and paid up capital of the company with the approval of the Board of Directors and special resolution by the general body of the company.

6. The Union Budget for 1997-98 reduced the prevailing corporate and personal income tax rates and abolished tax on dividends in the hands of shareholders for pushing up industrial investment and consumer demand. Initiatives aimed at promoting industrial activity, were also announced by RBI in its Monetary & Credit Policies of the first half and second half of 1997-98. The initiatives were reduction in Bank Rate, phased reduction of CRR, deregulation of interest rates, liberal terms for housing finance in rural and semi-urban areas, etc. The RBI has also permitted bridge loans to companies against equity flows/ issues for propping up the capital markets. Besides, measures like exclusion of bank's investment in preference shares/non-convertible debentures/bonds of private corporate bodies from the 5 per cent ceiling of investment of previous year's incremental deposits appears to have contributed to the flow of investible resources from banks to industry. A High powered Export Promotion Board has been set up for improving export performance. Enhanced autonomy has been granted to nine selected PSEs referred to as "Navaratnas". Two more enterprises namely GAIL and MTNL have also been given the same status. Greater functional and operational autonomy has been granted to 97 other profit-making PSUs referred to as "Mini-ratnas" for making them more efficient and competitive. A Tariff Commission has been set up as an independent body for looking into the tariff-related issues.