

India provides an interesting case for the study of the impact of industrial policies and institutional arrangements upon industrial growth and patterns of industrial transformation because the two periods viz. 1951–91 and post 1991 represent policy regimes, institutional frameworks, an industrial development patterns, making possible systematic analysis and the generation of hypothesis concerning causal relationships. Since 1991, Indian policy makers have tried to learn from the East Asian experiences and they have been under pressure from the International Monetary Fund (IMF), the World Bank and other global actors to liberalize and open up the Indian economy to the world market.

During the colonial period, when India was a part of British India, industrial policies and economic policies in general were essentially shaped by British interests, but the role of state in the country's industrial development was discussed intensively among Indian business representatives and leading politicians of Indian National Congress several years before independence. The brief review of 1948 resolution supported the view that a planned economy and private sector supplement the production. India's industrial policies were changed in the mid 1950s towards increasing state participation in production and more comprehensive operational controls over private industry. In the important industrial policy resolution, adopted by Parliament in 1956, the industrial approval system was developed into a very comprehensive system of control over the private industrial sector. The 1956 Resolution argued that the adoption of socialist pattern of society as national objective would require that all industries of basic and strategic importance or in the nature of public utility services should be in the public sector (Martinussen 2000).

Over the period from 1950–1990, the Indian economy underwent significant political change. The contribution of industry to GDP went up from around 15% in 1950 to almost 30% in 1990. This relative increase was due mainly to significant growth of output and value added in the manufacturing sector. However, in the 1980s, a powerful academic lobby emerged against the policy regime of controls and regulations. The new policy regime marked a fundamental break with the past. They drastically reduced the degree of state regulations in several respects and introduced a more market friendly and open economy policy environment. This led to increased competition while on the other hand opened the opportunities for business process reengineering,

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