

# Industrial Development Policy of India

by Kyoko INOUE

Institute of Developing Economies

**Industrial  
Development Policy  
of India**

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INSTITUTE OF DEVELOPING ECONOMIES

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## **Industrial Development Policy of India**

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India's economic policy built on strong ideological considerations inevitably had to face tremendous constraints when it was actually implemented. The country's overwhelming poverty, especially in the rural areas, continually compelled the government to emphasize poverty alleviation programs. Given this situation, economic rationality has usually been less important than ideological considerations of social justice. This was reflected in government industrial policy which emphasized state intervention in the name of the common good. The government's political aspirations and state intervention in the economy have frequently conflicted with economic realities. This has necessitated numerous compromises at crucial stages in the policymaking process. Development of India's industrial policy can be described as a process of many trials by which the government sought to control the economy. Over time this policy began to exhibit a strong tendency to allow exceptions and to create ad hoc supplementary rules, especially where there were contradictions between policy objectives and economic reality. Thus the policy system became cluttered with details and minutiae producing inconsistencies, contradictions, and expanding gray areas. The whole policy structure grew into a complicated labyrinth where industry could not progress except through byways of exceptions and ad hoc alterations.

Kyōko Inoue is a researcher at the Institute of Developing Economies, Tokyo. She has published on various aspects of Indian as well as South Asian politics.

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