

# Licenses

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# New industrial licensing policy

The Indian government established a licensing system in order to maintain control over industries according to the industries development and regulation act 1951.

A license is a written permission granted to an enterprise by the government according to which the products mentioned therein can be manufactured by the enterprise.

The license also include many particulars such as:

- name of the product to be produced
- the place where the factory to be established.
- expansion of the enterprise.
- the limit of the production capacity.

# Objectives of licensing

- Encouraging small scale industries.
- Encouraging new entrepreneurs.
- Regulating the location of the enterprise.
- Ensuring balanced regional development.
- Promoting technological advancement.
- Checking the strength of economic power.
- Development and control of industrial investment and production.

# Compulsions for licensing

## REGISTRATION OF EXISTING INDUSTRIAL UNITS-

Industrial licensing provisions were first designed in industrial development and regulation act,1951.

An existing industrial units which were existing before enforcement of this act and are covered under industrial licensing will have to obtain registration under this act.

## FOR SETTING UP OF NEW INDUSTRIAL UNITS:-

If the industrial is to be set up in the category of licensed industries, it has to obtain license under Industries development and regulation act,1951.

While setting up industrial unit, not covered under compulsory licensing, it Has to file a memorandum of information with the department of industries if the value of investment in plant and machinery of such unit is above Rs.10 crore.

## FOR SUBSTANTIAL EXPANSION:-

Under industrial licensing policy, if any industrial unit which is covered under licensing units to substantially expand its production capacity then it will have to obtain prior approval under this Act.

Substantial expansion increase in production capacity beyond 25% of existing of licensed capacity.

## LOCATION OF INDUSTRIAL UNITS:-

If any industrial unit wants to change its location, then it will have to take the approval of the concerned authority.

An Industrial license is required for the projects Which are located in the large cities with a population of more than 10 lakhs.

Only after obtaining approval location can be changed.



## FOR PRODUCING ARTICLES RESERVED IN SMALL-SCALE INDUSTRIES:-

An industrial undertaking wants to manufacture goods reserved for the small-scale sector it is required to obtain industrial license.

The list of items reserved for small-scale industries is reviewed from time to time.

In oct 2008, 21 items were reserved for the small-scale sector.

# Present position of licensing policy

Compulsory licensing:- according to the New Industrial Policy, 1991, it is necessary to obtain a license only in case of 15 industries which are engaged in the field of defense-equipment, luxury goods and hazardous commodities. In wake of liberalization this number has been reduced to 5.

The five industries for which licensing is compulsory are:

- alcoholic products.
- Industrial explosives
- Hazardous explosives
- Aerospace and defense equipments
- Tobacco products

## Protection to small-scale industries:-

In order to protect the small-scale industries and save them from the large scale industries, the production of certain products were reserved for the small-scale industries.

Only 21 items are reserved for small-scale industries.

Industries reserved for public sector:- Some industries had been reserved for the public sector.

These industries could be established in the public sector and private sector was not granted licenses for the establishments of these industries.

Only 3 industries are reserved for the public sector such as atomic minerals, atomic energy and railways.

## Definition of Large Industrial houses:-

In the new industrial policy of 1991, the limit on holding assets was completely abolished and there is no restrictions on the size of large business houses.

The new policy lays greater stress on preventing unfair trade practices rather than on the size of business houses.

In 2002, the government abolished MRTP (Monopolistic and Restrictive Trade Practice) ACT.

## Licensing for the expansion of production capacity:-

According to the new industrial policy, 1991, no license is required for the expansion of production capacity of MRTP companies.

In the present situation, there is no restriction on the expansion of production capacity except 5 licensed industries.

# Criticism of licensing policy

Discourages the Entrepreneurs:-

Under Industrial licensing Policy, industries have to obtain license for setting up new unit, change location etc.

So excessive control discourages the entrepreneurs.

Conflicting objectives:-

Licensing involves conflicting objectives. Like on one hand government wants to increase industrial production in the economy.

On the other hand government is restricting the activities of industrial units like substantial expansion, production of new articles etc.

Lengthy Procedures:-

For obtaining industrial license the entrepreneurs has to take approval from various government departments.

So all this involves lengthy procedures and many formalities.

Corruption while granting licenses:-

Licenses are given to such entrepreneurs who have either political links or who can bribe the corrupt officials.

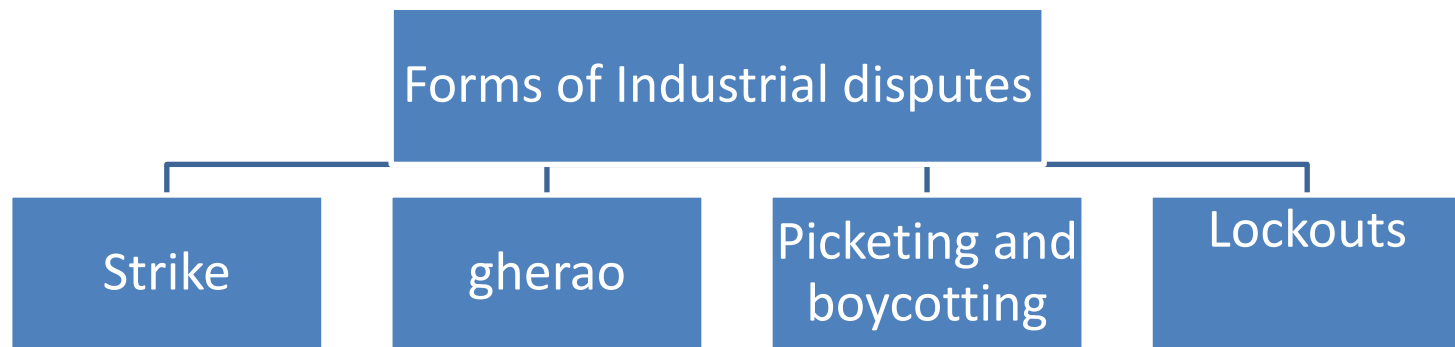
License are not granted on merit basis. Efficient entrepreneurs are ignored.



Poor follow up :-

After granting license, authorities do not check whether the business unit is following the provisions of licensing or not.

So the basic objectives of licensing policy is defeated.



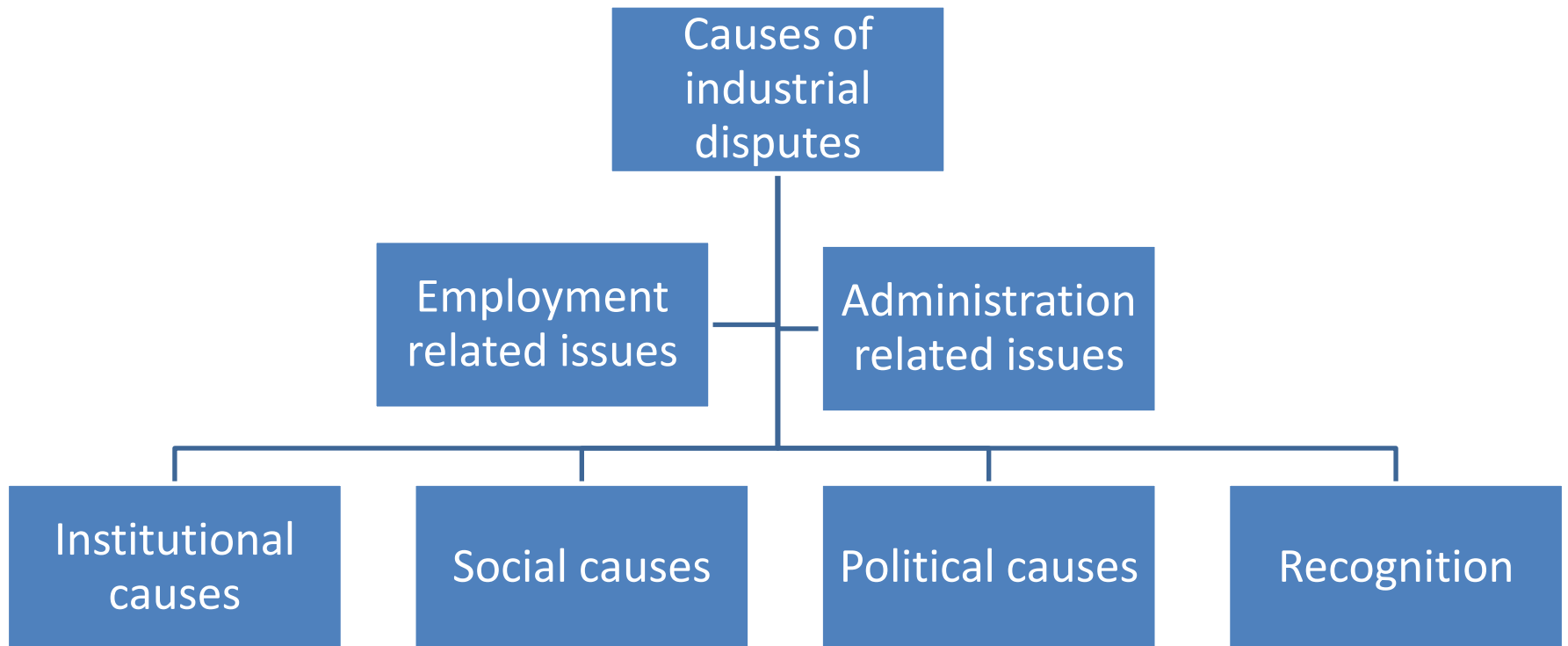
**Strikes:-** Strikes is a collection stoppage of work by group of workers for pressuring their employers to accept certain demands.

**Lockouts:-**lockouts may be defined as the closing of a place of an employment or the suspension of work or the refusal of an employer to continue to employ any number of persons employed by him.

**Gherao:-**Gherao means to surround. In this method a group of members initiate collective action aimed at preventing members of the management from leaving the office.

**Picketing and boycott:-** when picketing workers display banners prevent others from the entering the place of work and persuade others to join the strike.

# Causes of industrial disputes



Employment related issues:- Employment is the main cause of the industrial disputes.

It includes disputes over wages, allowances, bonus benefits, working conditions, change in the method of production, method of job evaluation etc.

Administration-related issues:- Administration related issues is the another cause of the industrial disputes.

It includes ill treatment, undeserved punishment and verbal abuse etc.

➤ Institutional causes:- It includes recognition of unions, scope of collective bargaining, unfair practices etc.

It is also causes of industrial disputes.

➤ Political causes:- It is the main cause of industrial disputes political leaders have used unions is powerful weapons to build tensions inside the plant industry.

➤ Recognitions :-this disputes arises when employers failed to recognise a union as bargaining agent.

## Meaning of Industrial disputes:-

" An Industrial dispute is any dispute or difference between employees and employees, or between employees and employers or between employers and employers which is connected with the employment or non-employment or the terms of employment or with the conditions of work of any person."

The industrial disputes has various forms such as strikes,lockouts,gheraos and picketing and boycotting.

## The main characteristics of Industrial disputes:-

- The dispute could be between the employer and employee, employee-employee and employer-employer.
- The dispute must pertain to some work -related issue.
- There should be a difference or dispute. For e.g.-labour demands something management does not grant the same.
- The dispute can be between one or two workmen and their employee is not an industrial dispute. It must be raised by a group or class of workmen.