CHAPTER 3

THE INDUSTRIAL SCENE

3.1 Industrial production suffered a relative set-back in 1973-74 and the official index registered a moderate rise of 2 per cent. This was largely due to a shortage of agricultural raw materials caused by decline in agricultural production and a mere 2.8 per cent growth in electricity generation due to a poor monsoon which affected the supply of energy for industrial purposes.

3.2 In 1974-75 also industrial production increased by only 2.8 per cent but in 1975-76 the rate of growth increased to 6.1 per cent. However, power generation in these years rose by 5.2 per cent and 13.5 per cent respectively and the output of coal (including lignite) went up from 81.8 million tonnes in 1973-74 to 91.6 million tonnes in 1974-75 and further to 102.7 million tonnes in 1975-76. Simultaneously bottlenecks in transport were also overcome. For example, the Railways lifted 196.8 million tonnes of revenue earning originating goods traffic in 1975-76 as against 173.6 million tonnes in the previous year.

Industrial Production in 1975-76

3.3 The recovery in industrial production during 1975-76 tended to be mainly in the electricity and coal sectors and the metallurgical and chemical and allied industries which are heavy consumers of power. Thus the output of saleable steel rose by 17.9 per cent, of aluminium by 41.2 per cent and of copper by 51.3 per cent. Production of nitrogenous fertilizers increased by 29.5 per cent. Other increases were as follows : soda ash (7.6%), caustic soda (10.1%), cement (17.0%) and petroleum products (7.7%). A few items of machinery such as machine tools (22.9%), sugar mill machinery (19.3%) and power transformers (10.5%), also showed an increase in output, while in the transport sector railway wagons (10.9%) and motor cycles and scooters (22.3%) showed improved performance. Most consumer goods industries did not show any appreciable increase in production.

3.4 This was due to a number of factors. There was a decline in construction activity which reduced the demand for construction materials and fittings. The demand for passenger cars was low because of the high prices of petrol. In the monsoon-sensitive industries, such as power-driven pumps and electric motors, favourable weather conditions have had the usual adverse impact so that output fell.

3.5 The demand for those consumer goods which could reasonably have been expected to find markets in the rural sector of the economy did not increase appreciably. While hopes were high that the substantial increase in agricultural production would give an impetus to rural demand for, say, textiles, the fall in agricultural prices at the farm level seems to have acted as an inhibiting factor. The failure of textile prices to fall—in spite of the sharp decline in cotton prices in 1974-75—seems to have been a contributory factor. In the event, production of mill cloth came down by 11 per cent in 1975-76.

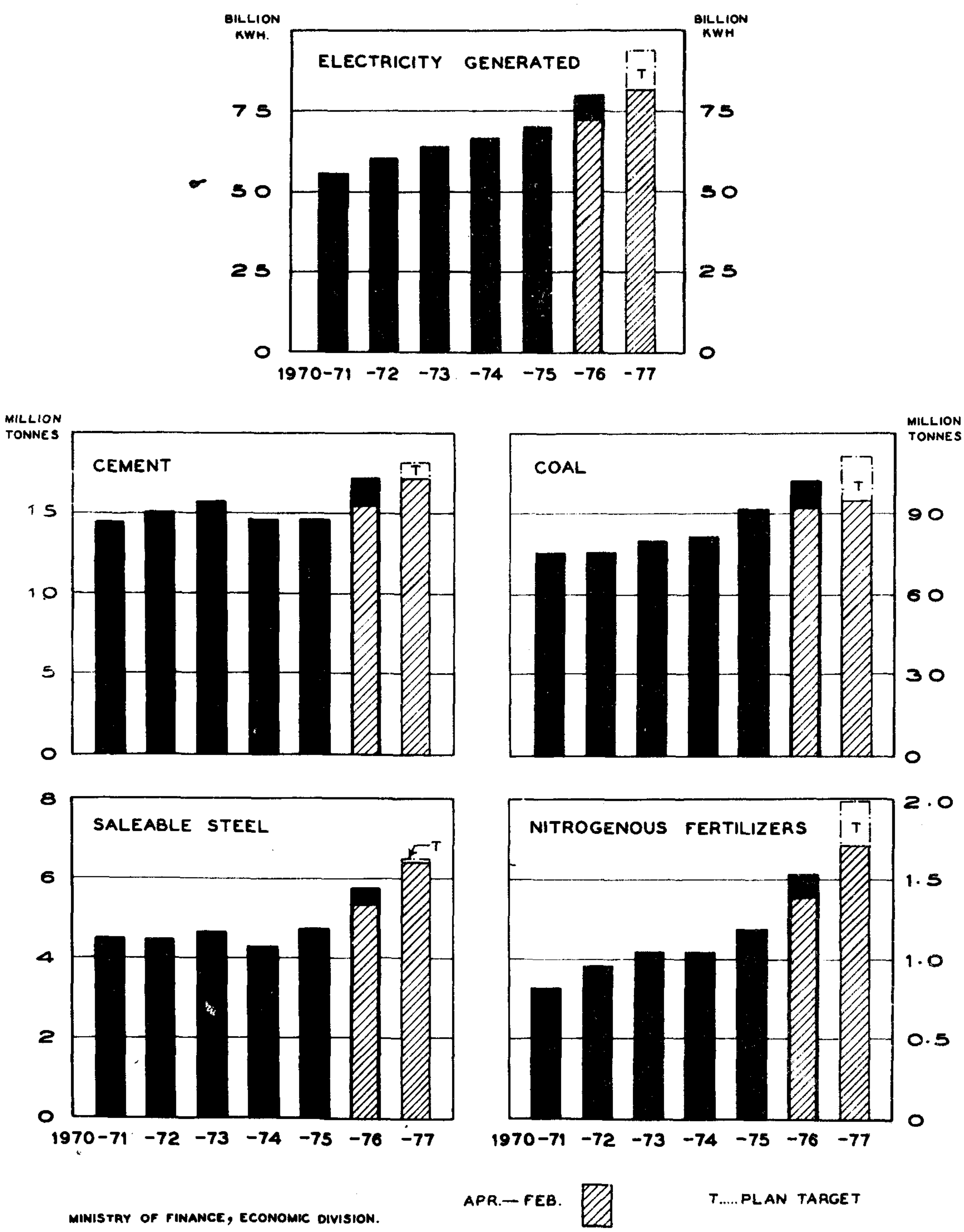
Industrial Production in 1976-77

3.6 Industrial growth during the first ten months of 1976-77 was 10.6 per cent. The relatively large rise in the index in the last quarter of 1975-76, and the none too satisfactory power situation in the last quarter of 1976-77, will lead to a drop in the growth rate for the year as a whole to 10.0 per cent.

3.7 In contrast to 1975-76 industrial production in 1976-77 was more heavily influenced by the major division "Manufacturing" than by "Mining and Quarrying" and "Electricity Generation". Thus, in the first ten months of 1976-77, Manufacturing (wt. 81.08) registered an increase of 11.0 per cent as against 4.5 per cent in 1975-76 as a whole. In the case of Mining and Quarrying (wt. 9.69), growth in 1976-77 was only 5.3 per cent as compared to 11.4 per cent in 1975-76. As for electricity generation (wt. 9.23), the rate for 1976-77 as a whole was no more than 11.6 per cent as against 13.5 per cent in 1975-76.

3.8 Within the Manufacturing Group, if we ignore the beverage industries (i.e., beer), the largest increase in the first ten months of 1976-77, occurred in transport equipment with a growth rate of 24.1 per cent; this partly reflects the fact that there was stagnation earlier. It was followed by chemicals and chemical products (18.6 per cent), this group considerably improving its performance in relation to 1975-76. The basic metal industries maintained their growth at over

PRODUCTION OF SELECTED INDUSTRIES



MINISTRY OF FINANCE, ECONOMIC DIVISION.

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18 per cent; metal products registered a growth rate of less than 5 per cent which, however, was an improvement on 1975-76. Non-metallic mineral products was another group with a high rate of growth of about 13 per cent. Two other minor groups, namely, tobacco industries and manufactures of wood and cork also fared well. The relative positions of paper and paper products, rubber products and electrical machinery groups changed for the better, while growth in food manufacturing and the non-electrical machinery groups was sustained.

3.9 The most important group of industries, namely, textiles, did not recover from its earlier stagnation. The prospects for jute textiles appeared to have improved in the later part of the year, but the cotton textile industry, output in which had begun to pick up in the first few months of 1976-77, again came up against consumer resistance. Though export demand increased steeply in 1976-77, it was not able to make up for the lack of buoyancy in domestic demand as it accounted only for about 8 per cent of total production.

3.10 Data for some important industries, covering nearly half of the official Index of Industrial

TABLE 3.1

Index of Industrial Production

(Base : 1970=100)

Group Code	Industry Group	Weight	1973-74	1974-75	1975-76	% change 1974-75 over 1973-74	% change 1975-76 over 1974-75	April—January 1975-76	April—January 1976-77	April—January % change
20.	Food manufacturing industries except beverage industries	7.74	97.0	102.7	106.4	+5.9	+3.6	102.4	108.5	+6.0
21.	Beverage industries	0.69	194.4	189.2	170.9	—2.7	—9.7	154.9	317.9	+105.2
22.	Tobacco Industries	2.21	104.4	101.3	97.9	—3.0	—3.4	98.3	108.5	+10.4
23.	Manufacture of textiles	17.43	100.0	102.0	105.0	+2.0	+2.9	104.3	104.7	+0.4
24.	Manufacture of footwear, other wearing apparel etc.	0.34	95.0	86.8	92.7	—8.6	+6.8	93.3	89.0	—4.6
25.	Manufacture of wood & cork except furniture	0.49	119.9	121.8	105.9	+1.6	—13.1	106.8	118.0	+10.5
27.	Manufacture of paper products	2.24	112.9	115.8	109.2	+2.6	—5.7	109.7	111.0	+1.2
29.	Manufacture of leather & fur products except footwear etc.	0.32	122.8	108.9	119.5	—11.3	+9.7	121.8	111.2	—8.7
30.	Manufacture of rubber products	2.22	117.0	120.0	119.4	+2.6	—0.5	121.9	126.2	+3.5
31.	Manufacture of chemicals & chemical products	10.90	127.8	125.6	136.8	—1.7	+8.9	133.6	158.4	+18.6
32.	Manufacture of product of petroleum & coal	1.62	114.4	114.1	122.6	—0.7	+7.4	120.4	124.5	+3.4
33.	Manufacture of non-metallic mineral products except products of petroleum and coal	3.33	118.4	199.9	126.8	+1.3	+5.8	125.5	141.4	+12·7
34.	Basic metal industries	8.84	96.1	101.8	121.5	+5.9	+19.4	118.8	140.3	+18.1
35.	Manufacture of metal products except machinery and transport equipment	2.77	118.5	127.0	128.5	+7.2	+1.2	126.7	132.6	+4.7
36.	Manufacture of machinery except electrical machinery	5.55	143.5	147.9	158.3	+3.1	+7.0	154.5	163.2	+5.6
37.	Manufacture of electrical machinery apparatus, appliances and supplies	5.30	127.1	127.3	120.3	+0.2	—5.5	116.2	127.4	+9.6
38.	Manufacture of transport equipment	7.39	116.2	112.2	114.7	—3.4	+2.2	109.8	136.3	+24.1
39.	Miscellaneous manufacturing industries	1.70	90.3	80.2	71.0	—11.2	—11.5	71.0	76.8	+8.2
	Division 2-3 Manufacturing	81.08	112.7	114.0	119.1	+1.2	+4.5	116.7	129.5	+11.0
	Division 1 Mining and Quarrying	9.69	105.9	118.3	131.8	+11.7	+11.4	127.3	134.0	+5.3
	Division 5 Electricity	9.23	121.4	127.7	145.0	+5.2	+13.5	141.9	160.9	+13.4
	General Index (Crude)	100.00	112.6	115.7	122.7	+2.8	+6.1	120.1	132.8	+10.6

Production are available for the whole of 1976-77. As compared to 1975-76, output increases of 50 per cent or more were recorded by auto-rickshaws, cars, and phosphatic fertilizers; production of scooters was up by 41.6 per cent. Nitrogenous fertilizers, pig iron saleable steel and jeeps fell in the range of 15—25 per cent increase in production. Items in which growth was of the order of 8—12 per cent were aluminium, newsprint, cement, vehicular diesel engines and electricity generation.

3.11 Information is available in respect of the period April 1976—February 1977 for a number of other industries. Industries such as salt, vegetable tanned hides, synthetic rubber, viscose tyre cord, C.I. spun pipes, electrical steel sheets, stationary diesel engines, paper machinery, power tillers, road rollers and lifts were adversely affected. In all these cases output fell by 10 per cent or more in April 1976—February 1977 as compared to the corresponding period of 1975-76. In jute manufactures there was a decline of 9.3 per cent.

3.12 In the 1976-77 budget, a number of consumer durable industries were granted excise concessions. These industries which were, by and large, showing declines in production during 1975-76, recorded substantial increases in production during the first nine months of 1976-77. In June 1976, Government announced a scheme for grant of excise relief in respect of selected commodities to the extent of 25 per cent duty payable on goods produced in excess of production in a selected base year. Many such industries showed substantial improvement during the year even though it cannot be established that the increase was directly the result of the excise rebate.

3.13 The average weighted growth of the Central public sector undertakings (outside of the NTC mills) during 1976-77 was slightly more than 11 per cent. This is more than that for the industrial sector as a whole. There were substantial increases in the production of steel, newsprint, watches, fertilizers, teleprinters, heavy non-electrical machinery and dry core cables. Much of the improvement was due to better capacity utilisation. Thus, for example, in 1976-77 as compared to 1975-76, the Hyderabad unit of Hindustan Cables stepped up utilisation from 53.1 per cent to 98.5 per cent of capacity. Similarly, in Hindustan Machine Tools, capacity utilisation increased from 96.0 per cent to 106.6 per cent. All the units of Steel Authority of India recorded improvement, with Bhilai reaching a level of 102.7 per cent and Rourkela 95.8 per cent. As for Durgapur, utilisation rose from 60.6 per cent to 72.7 per cent. Along with this there was a marked expansion in the operations of most of the engineering units, with several achieving a capacity utilisation of 75 per cent or more. There are, of course, a few units in which utilisation of capacity hardly made any significant improvement during 1976-77.

The Small-Scale Sector

3.14 The foregoing analysis of industrial production relates only to the organised (large-scale) sector. Yet an overall assessment of the industrial scene would not be complete without a reference to the small-scale sector. It has been making considerable progress in recent years and now accounts for a substantial proportion of total industrial production. The rate of growth of production in this sector in 1976-77 is estimated to be appreciably higher than that in the large scale sector. If the output in the small-scale sector is included, the rate of growth of total industrial production may well turn out to be significantly higher than the 10 per cent expected for 1976-77.

3.15 The small scale sector can play a crucial role in the national economy, particularly in raising the standard of living in the rural and backward areas and bringing about a more equitable distribution of income. The high employment potential of the small-scale sector is borne out by the All India Report on the Census of Small Scale Industries which revealed that in 1972 for every Rs. 1 lakh of investment in fixed assets, on an average, this sector provided employment to 21 persons. Similarly, the ratio of output to investment in fixed assets was found to be more than double that in the large-scale sector. Thus, both in terms of employment and output, the small scale sector seems to have a much higher potential compared to the large-scale sector. It will also make possible greater decentralisation of economic power and maximise individual initiative and popular participation in development. It is, therefore, necessary to provide all possible help to accelerate the growth of this sector.

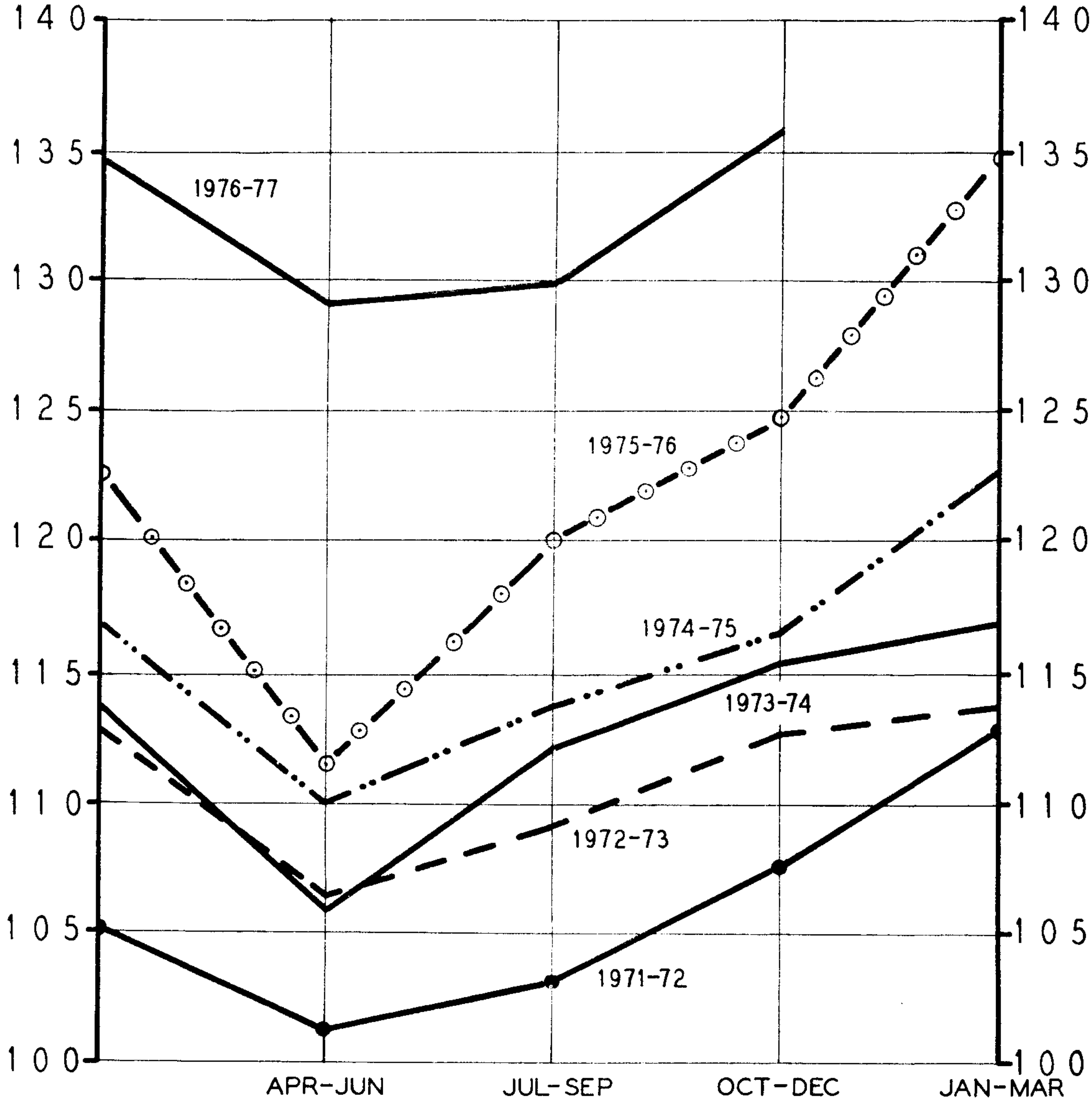
3.16 The immediate task in this direction seems to be to enable the small scale units to achieve full utilisation of their capacity in as much as the overall rate of capacity utilisation was found by the Census to be only of the order of 50 per cent. No doubt, various incentives and assistance are already being provided to them. But the most urgent attention needs to be paid to the provision of sufficient finance and the development of marketing facilities (both for domestic sales and exports) so that all other services and facilities extended to these units are profitably utilised.

INDEX OF INDUSTRIAL PRODUCTION

(CRUDE)

QUARTERLY AVERAGES

1970=100



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3.17 As per provisional data published by the Reserve Bank, total outstanding bank credit to the small scale sector rose from Rs. 645 crores in December 1972 to Rs. 1260 crores at the end of 1976, a rise of 92 per cent. Loans sanctioned by the State Financial Corporations to the small sector went up from Rs. 54.14 crores in 1972-73 to Rs. 91.79 crores in 1975-76, the rate of increase amounting to 70 per cent. The output of the small-scale sector, on the other hand, is estimated to have nearly doubled between 1972 and 1975 and is likely to have increased by 20-25 per cent in 1976. Therefore, a much larger flow of finance is required. As regards improved marketing facilities, five trade centres are being set up to provide marketing assistance to small scale units. The Central Government's Stores Purchase Programme is also being expanded. More needs to be done to aid and coordinate the marketing of products manufactured in this sector.

3.18 The existence of an efficient small-scale sector which supplies raw materials, components and other accessories to large scale units, helps in reducing costs and enlarging employment opportunities, particularly for skilled workers. Accordingly, specific instructions were issued to public sector enterprises to assist actively in the setting up of ancillary industries in their vicinity. For example, 50 such units have gone into production under the aegis of the Heavy Engineering Corporation : their output is of the order of Rs. 2.5 crores. Similarly, the ancillary units supported by the Mining and Allied Mechinery Corporation are providing employment to 5,000 persons. Annual rate contracts have been entered into in appropriate cases. Other illustrations are provided by Hindustan Machine Tools, Bharat Heavy Plates and Vessels, Triveni Structurals and the Gas Cylinder Project.

Investment

3.19 The level of capacity utilisation points to the fact that without a step up in investment it would not be possible to sustain the rate of industrial growth achieved in 1976-77 in the coming year. Available data indicate that interest in investment in the private sector has picked up though it is difficult to make a quantitative assessment at this stage. There has been a substantial increase in the assistance sanctioned by term-lending institutions to the industrial sector. Assistance sanctioned by all the term-financing institutions in the country during 1975-76 was of the order of Rs. 656 crores as against about Rs. 550 crores in the previous year, but actual disbursements during the year at Rs. 430 crores were only marginally higher. The share of the Industrial Development Bank of India (IDBI), the premier financing institution in the country, in both sanctions and disbursements, was of the order of 40 per cent. During 1976-77, IDBI's sanctions have increased by 97.1 per cent to Rs. 503.4 crores and its disbursements by 57.5 per cent to Rs. 275.7 crores. Direct industrial assistance sanctioned rose from Rs. 93.9 crores for 78 projects in 1975-76 to Rs. 222.1 crores covering 194 projects in 1976-77—an increase of about 136 per cent in the value of sanctions. Of the 194 projects, assistance of Rs. 22.7 crores was extended to 23 projects under the Soft Loan Scheme, while 6 projects benefited from the Technical Development Fund Scheme to the extent of Rs. 1 crore. Of the balance, 82 projects in the private sector claimed as much as 41 per cent; the remaining 83 projects were in the public, joint or cooperative sector.

3.20 However, the other indicators of investment intentions are not promising. Although total consents and acknowledgements given to non-government companies for raising capital during the first nine months of 1976-77 amounted to Rs. 287 crores, which is Rs. 73 crores more than in the same period last year, those for fresh capital were much less this year, bonus issues and loans having predominated. As for the figures of fresh capital actually raised by companies, these are also not encouraging. Much the same applies to the data in respect of clearances for import of capital goods; in 1976-77 they came to no more than Rs. 166 crores as against Rs. 211 crores in 1975-76.

3.21 From all this it can be concluded that while some increase in industrial investment, undoubtedly, took place, the kind of upsurge hoped for did not materialise for several reasons. Firstly, there was no great revival in construction, including industrial construction. Secondly, a large part of the revival seems to be in the form of expansions and additions rather than new projects, because being less resource intensive industrial units can find a part of the necessary resources internally. Thirdly, for the first time a buyers' market seems to have emerged in many products. Therefore, new investment would be undertaken far more cautiously than in the past.

Industrial Regulation Policies

3.22 To achieve fuller utilisation of capacity, and to stimulate investment in the priority sector, further relaxations were made in the sphere of industrial licensing during 1976-77. The selected 65 industries, which earlier had been allowed to get their licensed capacity or production level enhanced under the 1972 orders, were permitted to increase their production by 25 per cent subject to certain conditions. The scope of a Technical Development Fund created in March 1976 to promote technogical upgradation, modernisation and export development in regard to six selected industries was extended to a number of priority and export industries. Under this scheme the import of certain capital equipment and drawings and designs, and foreign collaboration and consultancy agreements are approved expeditiously by a Special Committee constituted for this purpose, and foreign exchange upto a limit is allocated simultaneously. Imports of drawings and designs were permitted on a liberal basis (upto a limit of Rs. 10 lakhs) for all scheduled industries. With a view to enabling export-oriented industries to update their technology and to maintain their competitive position in international markets by reducing costs of production, such units as have been exporting more than 20 per cent of their total production during the last three years, and undertake to export more than 20 per cent of their total enhanced production for the next five years will be allowed, subject to certain conditions, to import machinery without going through the procedures of indigenous scrutiny (including the clearance of the Capital Goods Committee). The procedure of indigenous scrutiny has also been done away with in cases where an entrepreneur intends to put up new industrial capacity (including expansion of existing capacity) but the value of equipment imported does not exceed 10 per cent of the value of equipment procured indigenously, subject to a ceiling of Rs. 1 crore.

3.23 To help medium entrepreneurs to set up industries which will not require additional imports, and where delicensing may not unduly distort the national priorities, the Government exempted medium entrepreneurs from the licensing provisions in respect of three more industries, viz., sanitaryware, H.T. insulators and tiles (of size 4″ x 4″ and above), in addition to the 21 selected industries delicensed last year. A review of the liberalised licensing policy, from its inception from November 1975 to the middle of September 1976, reveals that about 40 per cent of the 343 units registered with the DGTD took advantages of the scheme. Solvent extraction of oil/oilcake from minor seeds (including cotton seed), manufacture of paper from agricultural residues and waste, and industrial machinery attracted the largest attention. Basic drugs, machine tools and basic insecticides were also favoured by the entrepreneurs.

3.24 Along with these measures of liberalisation, non-implementation of licences was sought to be discouraged. Industries Act licence holders were, therefore, warned that their licences/letters of intent would be cancelled if positive steps were not taken by them to implement their schemes. In such cases the capacity may be transferred to the State Industrial Development Corporation, which may take up the venture either in association with the original applicant or on its own.

Capacity Utilisation

3.25 There was a general improvement in capacity utilisation in a number of industries. During 1976-77 capacity utilisation in the production of saleable steel in the main steel plants came to 91.9 per cent as against 83.6 per cent in 1975-76. In the case of cement, utilisation of capacity during 1976 showed an increase of 11 percentage points, and for aluminium, it was still higher (14 percentage points). Other industries which recorded appreciable increases in the utilisation of their capacity during 1976 were phosphatic fertilizers, viscose filament yarn, nylon filament yarn, polyester fibre, paints, enamels and varnishes, copper, lead, aluminium foils, transmission towers, ball and roller bearings, welding electrodes, agricultural tractors, machine tools, electric fans, passenger cars, scooters, bicycles, baby food and biscuits. Thus, a number of important intermediate goods and consumer goods industries substantially stepped up the rate of utilisation of their capacity. Of course, there were a few cases of deterioration in capacity utilisation but even in most of these the actual proportion was not abnormally low. Instances of low utilisation were attributable to demand conditions, and sometimes to competition from the small-scale sector. For example, the large scale synthetic detergent industry has been facing both consumer resistance to high prices and competition from smaller units. Demand for viscose tyre cord has been affected by slow growth in the production of automobile (jeep, car, bus and truck) tyres, offtake of the latter both for replacement and as original equipment having declined sharply. On the whole, capacity utilisation in 1976-77 was at a level appreciably higher than in 1975-76.

Sickness in Industry

3.26 The optimistic picture in the above analysis, has to be set off against the problem of sickness in certain sub-sectors of industry. Though such sickness is not very wide-spread it has been a matter of concern for quite some time. In some of the major industries like cotton textiles and jute a fairly significant number of units are facing considerable difficulties which have resulted in, or may lead soon to, closures. The closure of units which are not past redemption entails social costs in terms of loss of production and employment, and also waste of valuable capital assets. Hence, as far as possible, no viable unit is to be allowed to go out of existence. While in the past, a large number of sick units, particularly in the cotton textile industry, were taken over by Government, experience showed that this was not always the most efficient, or the least cost, solution to the problem. Hence, it became necessary to think of alternatives, or supplementary measures, to meet the situation.

3.27 Apart from specific measures of relief of a *post-facto* nature, it was felt that action should be taken to prevent further deterioration. For this purpose a monitoring mechanism, and an information system, which would transmit warning signals, regarding incipient sickness to agencies/authorities concerned would be needed. Since banks would come to know early the first symptoms of sickness in the form of cash losses, the Reserve Bank set up a special cell to monitor developments, and the commercial banks were asked to set up cells both at their head offices and at important regional centres. Apart from this, the IDBI opened a 'soft window' for the modernisation of five important industries viz., cotton textiles, jute, sugar, cement and engineering industries.

Employment in the Organised Sector

3.28 Employment in the organised sector increased by 5.20 lakhs or 2.6 per cent in 1975-76; this was mainly due to a rise of 4.7 lakhs in the public sector, which thus showed a growth rate of 3.6 per cent as against the private sector's 0.6 per cent. However, as some transfer of private industrial units to the public sector takes place from time to time, employment growth in the private sector tends to suffer by comparison. During 1975-76 all the major groups (except wholesale and retail trade and financing & insurance etc.) contributed to this increase. In the services sector, which accounts for roughly two-fifths of total employment, the rise in employment amounted to 3.0 per cent. Similarly, the manufacturing group showed an increase in employment of 2.9 per cent. Thus, these two groups, viz., services and manufacturing, which together accounted for about 64 per cent of total employment contributed to 72 per cent of the rise in employment in the organised sector in 1975-76. As regards employment in the construction sector, the overall position showed only a slight improvement as construction activities were at a low level during 1975. However, following the various relaxations announced by the Government in regard to public construction activities towards the end of the year, employment in the public sector showed a rise of 37,000 in 1975-76. Employment in construction in the private sector, which declined after March 1975, also picked up later with an increase of 7,000 in between September 1975 and March 1976.

3.29 The number of job-seekers on the live register of employment exchanges in the country as at the end of December 1976 was around 9.77 million as against 9.33 million at the end of December 1975, which means an increase of 4.8 per cent during the period. This is less than half the increase of 10.6 per cent recorded in 1975, as vacancies notified and placements effected in 1976 were higher by 24.0 per cent and 23.0 per cent respectively compared to the previous year. The total number of educated unemployed also rose from 48.05 lakhs to 51.05 lakhs but this increase, too, was much less than that of 6.58 lakhs for 1975. The increase in employment opportunities was due to the rise in industrial production which, in its turn, could have led to an expansion in the tertiary sector. Even then, the total number of job seekers on the live register cannot but cause grave concern, for it has to be recognised that the impact of this increase on the employment problem overall is only marginal.

3.30 In fact, the step up in the filling of vacancies through the employment exchanges reflects merely a return to the levels reached in 1972 and 1973, i.e., before a recessionary trend had made its appearance in some of the industrial sub-sectors of the economy. Also these figures do not give any idea of the extent of unemployment and under-employment in the rural areas. Such indicators as are available point to a large magnitude which continues to grow from year to year. Much, therefore, needs to be done if the rate of growth of employment is to be accelerated, not only for absorbing new entrants into the labour force, but also for reducing the backlog of earlier unemployment. In particular, the Five Year Plans which so far have tended to treat employment as a by-product of the development process, have to be re-oriented to give employment a more prominent place as an objective of development.

Outlook for 1977-78

3.31 The question of the greatest importance is whether the high rate of growth of industrial production in 1976-77 can be sustained in the current year also. There are a number of encouraging factors in this regard. The current level of food stocks and foreign exchange reserves are such as to permit a further increase in development outlay, which should provide the stimulus for raising the tempo of investment. Although it is too early to say anything about the production of agricultural raw materials in 1977-78, a large growth in agro-industries can be sustained by using foreign exchange reserves for the import of raw materials, as has been done during 1976-77, provided demand conditions are bright. The metal-based and chemical industries, which have been in the vanguard of progress even in 1976-77, can continue to provide the necessary forward thrust.

3.32 However, the chemical and metallurgical sectors are heavy users of power. In 1976-77, the shortage of power was not, by and large, acute, and inter-State sharing served to take the edge off the shortages that had developed in certain areas. Unfortunately, the programme of additional capacity creation in 1976-77 was not achieved in full and the gap between demand and supply may widen. This would act as a brake on production.

3.33 Notwithstanding the above constraints, it can be said that the country can achieve a substantial step-up in industrial production. The output of steel and cement has reached record levels. Industrial licensing rules and procedures have been considerably streamlined. It is not, therefore, unrealistic to expect a further pick-up in the utilisation of the existing potential. Meanwhile, an expansion in investment in the wake of the concessions already given can be hoped for, so that a still stronger base will have been established in a year or two.