CHAPTER 3

THE INDUSTRIAL SCENE

3.1 The growth rate of industrial output increased from 2.6 per cent in 1974-75 to 6.1 per cent in 1975-76, and then to 10.4 per cent in 1976-77—the highest for a decade. During the current year the rate of growth is not likely to exceed 5-6 per cent as important sectors such as power generation, coal mining and textiles have been stagnant. The rest of the industrial sector, by and large, has been doing reasonably well. At the same time, within the manufacturing sector, growth in the power-intensive industries such as basic metals and heavy chemicals has suffered a setback. The aluminium industry, in particular, has been adversely affected, and, in its wake, the aluminium cables industry. The output of heavy chemicals like caustic soda, soda ash and calcium carbide has been practically static, but fertilizers (both nitrogenous and phosphatic) have recorded an increase in production. In most other important industry groups (other than textiles) output has remained steady, if not higher, so that the overall growth rate is not unsatisfactory.

TABLE 3.1

Index of Industrial Production

(Base : 1970=100)

Group Code	Industry Group	Weight	1974-75	1975-76	1976-77*	% change 1975-76 over 1974-75	% change 1976-77 over 1975-76	April—October* 1976-77	1977-78	% change
1	2	3	4	5	6	7	8	9	10	11
20	Food manufacturing industries except beverage industries	7.74	102.7	106.4	113.0	+3.6	+6.2	96.1	107.1	+11.4
21	Beverage industries	0.69	189.2	170.9	315.9	—9.7	+84.8	345.9	384.1	+11.0
22	Tobacco industries	2.21	101.3	97.9	107.0	—3.4	+9.3	108.4	108.9	+0.5
23	Manufacture of textiles	17.43	101.6	105.0	104.0	+3.3	—1.0	104.1	105.1	+1.0
24	Manufacture of footwear, other wearing apparel etc.	0.34	86.9	92.7	91.7	+6.7	—1.1	86.4	73.7	—14.7
25	Manufacture of wood & cork except furniture	0.49	121.8	105.9	121.6	—13.1	+14.8	118.0	128.0	+8.5
27	Manufacture of paper products	2.24	115.8	109.2	111.1	—5.7	+1.7	111.6	113.2	+1.4
29	Manufacture of leather & fur products except footwear etc.	0.32	108.9	119.5	110.9	+9.7	—7.2	113.0	115.0	+1.8
30	Manufacture of rubber products	2.22	120.5	119.4	126.9	—0.9	+6.3	122.2	131.1	+7.3
31	Manufacture of chemicals & chemical products	10.90	125.6	136.8	161.6	+8.9	+18.1	154.6	168.1	+8.7
32	Manufacture of products of petroleum & coal	1.62	114.1	122.6	125.9	+7.4	+2.7	122.8	132.3	+7.7
33	Manufacture of non-metallic mineral products except products of petroleum and coal	3.33	119.9	126.0	142.8	+5.1	+13.3	139.0	146.2	+5.2
34	Basic metal industries	8.84	101.8	121.5	143.4	+19.4	+18.0	137.2	137.6	+0.3
35	Manufacture of metal products except machinery and transport equipment	2.77	126.9	128.5	134.4	+1.3	+4.6	132.7	134.4	+1.3
36	Manufacture of machinery except electrical machinery	5.55	149.3	150.8	169.6	+1.0	+12.5	153.4	170.4	+11.1
37	Manufacture of electrical machinery, apparatus, appliances and supplies	5.30	127.3	120.3	133.8	—5.5	+11.2	119.1	139.0	+16.7
38	Manufacture of transport equipment	7.39	112.2	114.7	139.5	+2.2	+21.6	135.0	134.5	—0.4
39	Miscellaneous manufacturing industries	1.70	80.2	71.0	82.4	—11.5	+16.1	72.1	107.0	+48.4
	Division 2-3 Manufacturing	81.08	114.0	119.1	132.0	+4.5	+10.8	126.0	133.4	+5.9
	Division 1 Mining and Quarrying	9.69	118.3	132.7	137.9	+12.2	+3.9	128.0	131.1	+2.4
	Division 5 Electricity	9.23	127.7	145.0	162.1	+13.5	+11.8	158.4	162.0	+2.3
	General Index (Crude)	100.00	115.7	122.7	135.4	+6.1	+10.4	129.1	135.8	+5.2

*Provisional.

Industrial Production in 1976-77

3.2 Industrial production rose by 10.4 per cent in 1976-77. Excluding the minor group of beverage industries, the maximum rates of growth were recorded by transport equipment (+21.6 per cent), chemicals and chemical products (+18.1 per cent) and basic metal industries (+18.0 per cent). These three groups together have contributed to almost half of the total rise in the index, with chemicals alone accounting for 20 per cent. Chemical items which recorded output increases of more than 25 per cent were phosphatic fertilisers, polystyrene, viscose staple fibre, nylon tyre cord, polyester fibre, cellulose film, optical whitening agents, azo dyes, chloramphenicol, vitamin A, tooth paste and tooth powder. Under basic metal industries, the output of saleable steel (main steel plants) rose by almost 20 per cent, of aluminium ingots by over 12 per cent, and of blister copper by almost 40 per cent. Output of structurals almost doubled while that of steel pipes and tubes rose by 40 per cent. In the transport equipment group increases were as follows : cars (+67.6 per cent), three wheelers (+50.9 per cent), scooters (+39.0 per cent), jeeps (+17.3 per cent) and bicycles (+13.2 per cent).

3.3 Other important groups which did well in 1976-77 were non-metallic mineral products (+13.3 per cent—with cement production rising by 9 per cent), non-electrical machinery (+12.5 per cent) and electrical machinery (+11.2 per cent). The textiles group, which has a weight of 17.43 per cent, registered a small decrease in output.

Industrial Production in 1977-78

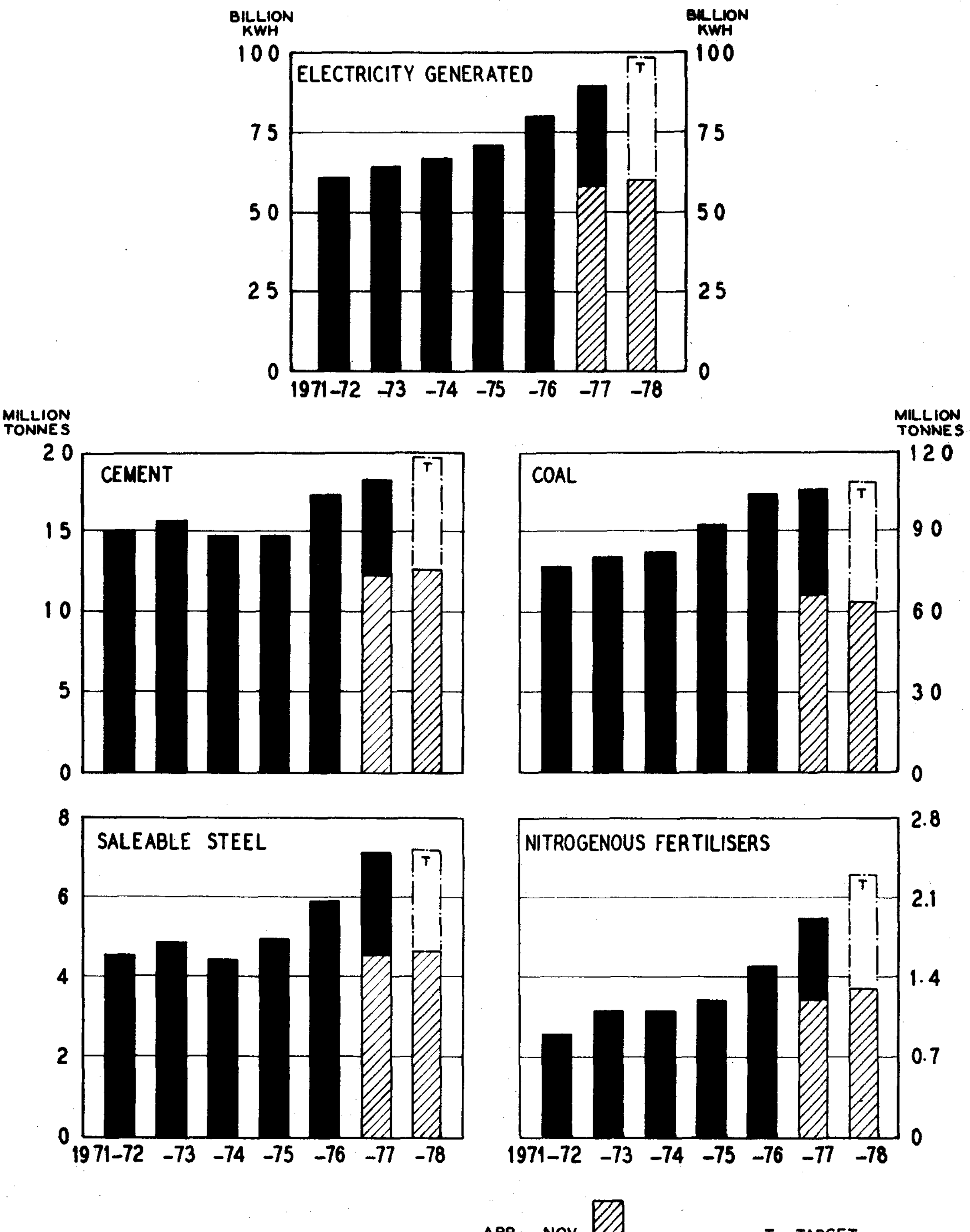
3.4 The official Index of Industrial Production is available only upto the month of October, 1977; the growth rate during the first seven months of the current year has been slightly more than 5 per cent. It is, therefore, likely that, in 1977-78 as a whole, industrial growth will be of the order of 5—6 per cent. In the first few months of the year, the lead has been taken by electrical machinery (Wt. 5.30 per cent) which is somewhat natural in view of the 25 per cent increase in electricity generation over the two years 1975-76 and 1976-77. A significant rise in the production of tea and vanaspati, as also of flour milling, biscuits and baby food, has enabled food manufacturing industries (Wt. 7.74 per cent) to take the second place. Chemicals (Wt. 10.90 per cent), non-electrical machinery (Wt. 5.55 per cent) and rubber products (Wt. 2.22 per cent) have also fared well. The last named has been helped by a decline in raw rubber prices which was so sharp that Government had to revise upwards the minimum statutory price in order to safeguard the interests of the grower. The output of petroleum products has increased appreciably. The largest group, textiles (Wt. 17.43 per cent), has barely improved upon its performance. The reasons for this include not only lack of demand but also production loss because of power cuts.

3.5 Although the official Index is available only upto October, 1977, production data for a large number of items are available upto November and for a few important industries upto December, 1977. Comparing the period April-November, 1977 with the corresponding eight months of 1976, output has doubled in the case of cement mill machinery, and more than trebled in the case of road rollers. However, the latter is really a case of recovery from the low levels of the previous year. Growth rates exceeding 20 per cent have been recorded by a number of electrical items (e.g., electric fans and transformers) and chemicals (polyester filament yarn, phosphatic fertilisers, synthetic detergents, synthetic rubber and PVC resins). Items of non-electrical machinery which recorded similar rates of growth include stationary diesel engines, power driven pumps, air conditioners, boilers, sugar mill machinery and grinding wheels. Some other items recording growth rates of 20 per cent or more are metals like zinc and lead, jeeps and baby food.

3.6 In chemicals, e.g., penicillin, nylon tyre cord, optical whitening agents, liquid chlorine, nitrogenous fertilisers and BHC (Technical), the increase in production has been in the range of 10-20 per cent. The production of tractor tyres, bus and truck tyres, electric motors, domestic refrigerators, biscuits and passenger cars also recorded a similar increase. The vanaspati industry, which has been sustained through imports of edible oils, shows a production increase of 11.1 per cent.

3.7 On the other hand, major cases of decline in production (20 per cent or more) during April-November, 1977 are aluminium conductors, scooter tyres, seamless tubes, C. I. spun pipes, vehicular diesel engines, rubber machinery, printing machinery and chrome tanned hides. The output of commercial vehicles, three wheelers, machine tools, earthmoving equipment, paper and pulp machinery, leather footwear (indigenous), low density polyethylene and streptomycin has gone down to the extent of 10-20 per cent. The output of aluminium conductors is dependent on the availability of EC grade aluminium which has been affected by power shortage; however, labour unrest in one of the units, too, has contributed to lower aluminium production. Strikes and lock-outs have also been responsible for reduced output of seamless

PRODUCTION OF SELECTED INDUSTRIES



MINISTRY OF FINANCE, ECONOMIC DIVISION.

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tubes, machine tools, auto tyres, footwear and LDPE. The automobile ancillaries industry has, similarly, been responsible for reduced output of motor vehicles and parts, though units producing commercial vehicles and motor cycles, too, have directly been involved. Strained industrial relations have also left their mark on such industries as forged hand tools, viscose tyre cord, polyester fibre, blasting explosives, wire ropes, agricultural tractors and fluorescent tubes. Of these, the first has, in recent years, become an important export item, and decline in its output has to be viewed with concern. Fortunately, in the case of wire ropes, another export item, there has been no fall in the industry's production. This is true also of agricultural tractors, and fluorescent tubes. The shortage of blasting explosives, had it lasted longer, would have seriously affected the production of coal.

3.8 This brief review of production trends in the current year gives a very mixed picture as, along with increase in some directions, a number of industries have suffered substantial declines in output. Over a very large spectrum of industries, however, production changes have been confined in rather narrow limits, so that the general impression is more one of relative stagnation than of sustained progress. This is particularly so because some of the key and basic industries are to be found in this category. Thus, in April-December, 1977 as compared to the corresponding nine months of 1976, the output of coal (including lignite) has fallen by 1.6 per cent, of pig iron by 3.7 per cent, of cotton yarn by 1.5 per cent and of mill cotton cloth by 1.3 per cent. In the case of coal and cotton cloth, this has resulted in a lower level of stockholding. But even in the case of industries where growth has continued in 1977-78, a deceleration is noticeable. Cement production and electricity generation have recorded increases of only 2.2 per cent and 2.5 per cent as against 11.9 per cent and 14.4 per cent respectively last year. Saleable steel production in the integrated steel plants rose by only 1.4 per cent as against 22.7 per cent last year. Here, again, this has helped in reducing the level of stocks which had been building up because of demand not catching up with supplies.

3.9 In the public sector, significant increases in production have been registered in the current year so far, i.e., upto December 1977, by Cement Corporation of India, Bharat Heavy Plates and Vessels, Triveni Structurals, BHEL, O.N.G.C. (crude petroleum) Rishikesh Unit of I.D.P.L., Hindustan Organic Chemicals, Bharat Aluminium, Hindustan Zinc, Modern Bakeries, etc. On the other hand, substantial decline was noticeable in the case of National Instruments, Bharat Opthalmic Glass, Heavy Engineering Corporation, Mining and Allied Machinery Corporation, Hindustan Insecticides, etc. Consequently the rate of growth of industrial production in the public sector (outside the NTC mills) this year (April-December) has been only 4 per cent as compared to 11 per cent in the same period in 1976-77. Nonetheless capacity utilisation has, by and large, improved. Above capacity utilisation occurred in the Hyderabad Unit of Hindustan Cables, Hindustan Photo Films, Tiruchi and Hyderabad units of Bharat Heavy Electricals, Tungabhadra Steel Products, Bokaro and Rourkela units of SAIL, Bharat Pumps and Compressors, National Mineral Development Corporation (iron ore), Manganese Ore India Limited and Lubrizol India. Zinc production by Hindustan Zinc, and of DMT by Indian Petro Chemicals also exceeded 100 per cent of capacity during April-December, 1977. Near full capacity utilisation was recorded by the Bhilai Steel Plant, Neyveli Lignite Corporation, Indian Oil Corporation, Madras Refineries and Hindustan Antibiotics. At the other end of the spectrum, a further set-back has been received by MAMC. In April-December, 1976 capacity utilisation was less than 45 per cent, and this year it is running below 25 per cent. It is, therefore, trying to branch out into servicing of mining equipment, and two service centres, one at Dhanbad and the other at Nagpur, are being set up to meet the growing requirements of customers. A beginning in exports has also been made. Another public sector enterprise, Bharat Opthalmic Glass Limited, is currently running at 40 per cent of capacity as against 66 per cent in April-December, 1977. Earlier, utilisation had been as low as 25 per cent, but the improvement registered in 1976-77 could not be sustained because of a lack of sufficient demand from the defence authorities, though capacity had been specially built up to meet their requirements.

3.10 In the industrial sector as a whole, also, there generally seems to be further improvement in 1977-78. Available information indicates high capacity utilisation in industries like tooth paste and tooth powder, nylon filament yarn, GLS lamps, wrist watches, vat dyes, viscose staple fibre, ball and roller bearings, electric fans, cement, power driven pumps, grinding wheels and paper and paper board. On the other hand, capacity utilisation was low in such industries as coated abrasives, steel pipes and tubes, railway wagons and road rollers. Railway wagons and road rollers suffered a sharp set-back during 1976-77 because of reduced budgetary outlays by the user departments. However, there has been some revival of demand since then.

3.11 From the above, the conclusion can be drawn that the utilisation of existing capacity is generally at a fairly satisfactory level. The public sector is in a process of consolidation, and is aiming at a higher level of production from the existing capacity with such additions as may be necessary with minimum further investment. This has an impact on the private sector, and the creation of new capacity, hence, does not appear to be proceeding as fast as is desirable in the longer term interests of the economy. This is despite the fact that the indigenous machinery manufacturing industry has attained a substantial degree of self-sufficiency, particularly in such lines as power generation, transmission and distribution equipment, metallurgical plants and machinery, transportation equipment (rail and road), cement and sugar mill machinery, etc. Moreover, whatever needs to be imported can be obtained easily in view of the current level of foreign exchange reserves. If, inspite of these favourable factors, new capacity is not coming into existence, it points to an urgent need to step up public investment, and create a more balanced industrial structure. It also underscores the fact that sustained demand for industrial products is contingent not only on a healthy agriculture, but also on income generation through larger employment in both rural and urban sectors.

Investment Trends

3.12 Despite a number of uncertainties, there is little evidence that industrial investment in 1977-78 is running at levels lower than in the previous year. The IDBI's direct loans to industrial concerns (other than for exports) during April-September, 1977 show a substantial increase over the corresponding period of 1976. As against sanctions of Rs. 92.87 crores and utilisation of Rs. 33.46 crores last year, the current year's figures show a step up to Rs. 125.33 crores and Rs. 47.80 crores respectively. The IFCI's net sanctions during April-September, 1977 at Rs. 69 crores were almost double the figures for the previous year, while actual disbursements at Rs. 31.5 crores were higher by about Rs. 6 crores. Similarly, ICICI's sanctions and disbursements (foreign currency and rupee loans together) during April-September, 1977 were appreciably higher than in the corresponding period of 1976.

3.13 Total consents given by the Controller of Capital Issues to non-Government companies during April-December, 1977 show a decline from Rs. 287.01 crores in the corresponding period of 1976 to Rs. 261.64 crores. Since, however, bonus issues accounted for Rs. 110.54 crores in April-December, 1976 as against 78.29 crores in the first nine months of 1977, there is an increase in consents (other than bonus issues) of the order of 4 per cent. While this picture is not discouraging, it has to be noted that there was an increase of Rs. 23 crores in the case of further issues at Rs. 61 crores, and only a moderate increase of a little over Rs. 9 crores in intial issues at Rs. 41 crores. This appears to be due to the dilution of foreign holdings under FERA regulations by well-established multinationals. However, apart from bonus issues, there has been no increase in capital raised as between April-September, 1976 and April-September, 1977.

3.14 Approvals for the import of Capital Goods are given by the C. G. Committee which also has a sub-Committee called the Export-Oriented Industries Committee. In 1976-77, there was a sharp decline in approvals given by the C. G. Committee but the trend has now been reversed, at least in so far as the main Committee is concerned. Approvals given by it in April-December, 1977 came to Rs. 102.5 crores, i.e. about Rs. 22 crores more than in April-December, 1976. Approvals by the C. G. (EOI) Committee, however, show a sharp decline from Rs. 30.6 crores to Rs. 8.6 crores so that the total approvals during April-December, 1977 are at the same level as in April-December, 1976. At the same time, total value of licenses issued for imports of capital goods and heavy electrical plant is quite encouraging. As against a figure of Rs. 319 crores in April-November, 1976 that for April-November, 1977 has come to Rs. 356 crores. The public and private sectors have shared almost equally in the increase.

3.15 From the above it can be concluded that the industrial investment climate is certainly not bleak, though various inhibitory factors, both physical and financial, have been operating. According to the latest available study of the RBI on the finances of non-government non-financial large and medium public limited companies, the increase in gross fixed assets was 10.3 per cent in 1975-76 as against 10.6 per cent in 1974-75 and 8.8 per cent in 1973-74. In 1976-77, also, if fragmentary information culled from company balance sheets is to be relied upon, the increase in gross fixed assets is likely to have been of the order of 10 per cent.

The New Industrial Policy

3.16 A new Industrial Policy Statement was placed before Parliament on December 23,1977. The main thrust of the new policy is on effective promotion of cottage and small industries widely dispersed in rural areas and small towns, on the ground that whatever can be produced by small and cottage industries must only be so produced. The list of industries which would be exclusively reserved for the small-scale sector has been expanded, and will now include more than 500 items. While this list will be continually reviewed in order to ensure that capacity creation does not lag behind the requirements of the economy, an annual review of reserved industries will also be undertaken so as to identify new products/processes capable of being manufactured/adopted in the small-scale sector.

3.17 A tiny sector has also been identified within the small-scale sector. Special attention will be given to units with investment in machinery and equipment upto Rs. 1 lakh and situated in small towns and villages. Cottage and household industries, as well as khadi and village industries, are also to receive greater attention. Expansion of weaving capacity in the mill and powerloom sectors will not be allowed, while the handloom sector will have priority in the allocation of yarn spun in the organised sector. Reservation of textile items for production by handlooms will be enforced and the area extended as feasible.

3.18 Some of these programmes are not new; they have only suffered from ineffective implementation. Since there has been no special protection for cottage and household industries, Government will consider legislation which would give due recognition to this sector. In the meantime a complete re-organisation of the schemes of assistance appears to be called for. The new policy statement notes that there has been a tendency "to proliferate schemes, agencies and organisations which have tended more to confuse the average small and rural entrepreneur than to encourage and help him." It is, therefore, proposed to shift the focal point of development from the big cities and State capitals to the district headquarters, where the District Industries Centre will be located. This Centre will provide, under a single roof, all the services and support required by small and village entrepreneurs.

3.19 The apex term-lending financial institution of the country, the IDBI, has taken steps to set up a separate wing to deal exclusively with the credit requirements of the small sector. It will coordinate, guide and monitor the entire range of credit facilities offered by other institutions for the small and cottage sector. Financial institutions and the nationalised banks will also set up separate wings; the nationalised banks will be required to earmark a specified proportion of their total advances for the promotion of small, village and cottage industries.

3.20 In the new policy the role of the large-scale sector will be related to the programme for meeting the basic minimum needs of the population through wider dispersal of small-scale and village industries and strengthening of the agricultural sector. Hence, in general, the areas for large-scale industry will be :—

(a) basic industries, such as steel, non-ferrous metals, cement and oil refineries.

(b) capital goods industries, for meeting the machinery requirements of basic as well as small-scale industries.

(c) high technology industries, which require large-scale production (e.g. fertilisers).

(d) other industries which are outside the list of reserved items for the small-scale sector, which are considered essential for the development of the economy (such as machine tools, and organic and inorganic chemicals).

3.21 However, the activities of Large Houses will be regulated to bring them in line with the country's socio-economic goals. In view of the fact that their growth in the past has been largely based on borrowed funds from financial institutions and banks, they will in future be required to rely on internally generated resources for expansion. It is Government's intention to ensure that no unit or business group acquires a dominant or monopolistic position in the market, and that unfair practices arising out of manufacturing inter-linkages are avoided. Moreover, in order to ensure social accountability, the financial institutions will assume a more active role in overseeing the activities of undertakings financed by them.

3.22 In this context the public sector is expected to provide a degree of countervailing power to the growth of large houses and large enterprises in the private sector. Not only will it produce important and strategic goods of a basic nature, but it will also be used as a stabilising force for maintaining essential supplies to the consumer. The public sector will be charged with the responsibility of encouraging the development of ancillary industries and contributing to the growth of decentralised production by making available its technological and managerial expertise to small and cottage industries.

Sick Units

3.23 Government has evinced continued interest in the revival of 'sick', but potentially viable, industrial units. The soft loan window for modernisation of five important industries, viz., cotton textiles, jute, sugar, cement and engineering, set up earlier at the I.D.B.I., commenced operations in February, 1977. Along with I.F.C.I. and I.C.I.C.I. it has sanctioned assistance to the tune of Rs. 132 crores by the end of January, 1978. The pace of utilisation has yet to pick up, however, as utilisation has amounted to a mere Rs. 8.3 crores. **Since the convertibility clause applicable** to loans given by financial institutions, said to be responsible for non-utilisation of these funds, has now been waived in regard to such soft loans, the pace of utilisation should improve in the future.

3.24 To enable a voluntary amalgamation of sick industrial units with healthy ones as an alternative to take over by the Government, the 1977-78 Budget made a provision to the effect that the accumulated losses and unabsorbed depreciation of the amalgamating company will be allowed to be carried forward and set off in the hands of the amalgamated company if the amalgamation is in the public interest. Such a declaration will be made on the recommendation of the "specified authority"—since designated as an inter-Ministerial Committee headed by the Secretary, Department of Industrial Development, Government of India. The amalgamating company (i.e. the sick unit) must, for this purpose, have accumulated losses which exceed fifty per cent of the paid-up share capital and reserves.

3.25 In addition, certain guidelines have been issued by the Ministry of Industry to determine the admissibility of proposals for merger of sick industrial units with sound ones. Thus, the amalgamating unit should have had a working force of at least 100 in the accounting year of merger and in each of the preceding two years. Alternatively, the fair market value of its fixed assets (excluding land) should be not less than Rs. 50 lakhs. These conditions may, however, be relaxed under certain contingencies. At the same time, MRTP and FERA provisions would have to be complied with wherever necessary.

3.26 Since the revival of sick industrial units is much easier if such sickness can be diagnosed at an early date, Government in cooperation with the Reserve Bank have arranged for monitoring of incipient sickness through banks and financial institutions so that early corrective action can be taken. Government is also concerned about the problem of mismanagement. Measures to prevent managers or owners who are responsible for mis-managing and turning their units sick from playing any further part in the management of other units are under consideration.

Employment in the Organised Sector

3.27 Employment in the organised sector rose by 4.66 lakhs (or 2.3 per cent) in 1976-77; this apparently was almost entirely due to the public sector—the figure tends to be biased by take-over of private sector units from time to time—which accounts for nearly two-thirds of the total employment. An interesting feature of employment growth during 1976-77 is that it was proportionately larger in the small sector (employment size 10—24 persons), thus pointing towards a greater degree of dynamism in small scale enterprise.

3.28 Services and manufacturing industries which together constitute nearly two-thirds of employment, recorded the largest increase of 1.27 lakhs and 1.08 lakhs respectively. These were followed by agriculture, etc. (+0.83 lakhs), transport, storage and communications (+0.44 lakhs) and financing, insurance & real estate (+0.43 lakhs). Overall employment in construction, which is an indicator of industrial activity, was only marginally higher, i.e. by 6,000—an increase of 18,000 in the public sector being counteracted by a fall of 12,000 in the private sector.

3.29 According to Employment Exchange statistics, the number of applicants on the live register stood at 10.8 million at the end of October, 1977 as against 9.6 million at the end of October, 1976—an increase of 12.5 per cent. Registrations, vacancies and placements were all lower in 1977 than in 1976. Thus, the monthly average of registrations effected in the first ten months of 1977 was 458 thousand as against 486 thousand in the same period of 1976. Similarly, vacancies notified averaged 68 thousand per month as against 70 thousand in 1976, while placements effected averaged 39 thousand as against 41 thousand in 1976. Since there was a decline in both vacancies notified and in placements, it is not possible to say that there has been an improvement in the employment situation merely because registrations have been less. However, it can at least be concluded that no ground has been lost, since the ratio of vacancies notified to registrations was, in January-October, 1977, slightly higher at 14.8 per cent as compared with 14.4 per cent in January-October, 1976.

Industrial Relations

3.30 Industrial relations in 1977-78 reflect, in considerable measure, the release from the forced discipline of the period of the Emergency. Industrial disputes in 1976-77 consisted more of lock-outs than strikes, and the ending of the Emergency could not but reverse this trend, particularly in view of the assurances given by the new Government in its election manifesto regarding minimum bonus, compulsory deposits, etc. Thus, man-days lost on account of industrial disputes during April-September, 1977 came to 11 million as against only 6 million in the same period of 1976. Consequently, the labour situation gives cause for concern, particularly in view of the prevailing trends in investment.

3.31 The new Government fulfilled its promise to restore the *status quo ante* in respect of minimum bonus by an Ordinance issued on September 3, 1977. All industrial units, including those suffering losses, will have to pay a minimum bonus of 8.33 per cent for the accounting year 1976. While industry is naturally dissatisfied with this development—particularly the portion relating to loss-making units—it can be hoped that overall reduction of work stoppages will be to the ultimate benefit of both sides and of the country.

3.32 The carry-home pay of workers has also been increased by the scrapping of the additional D.A. deposit scheme. The insistence of workers on cash repayment of the amounts impounded has, however, faced the Government with a budgetary problem, and a special 5-year deposit scheme was introduced in order to help mop up the excess purchasing power which might, otherwise, have adversely affected the price situation.

3.33 The question of comprehensive legislation in respect of industrial relations has been revived by the present Government. The earlier Government had prepared an Industrial Relations Bill which was intended to combine within itself the Industrial Disputes Act, the Trade Unions Act and the Industrial Employment (Standing Orders) Act, but it was not moved in Parliament. A re-examination of the original proposals has been carried out, and a Bill will be introduced shortly in Parliament. Government also intend to give protection against arbitrary dismissal etc., to workers not covered by the Industrial Disputes Act, including middle-management staff.

Prospects for 1978-79

3.34 Once again a question mark hangs over the availability of power for industry, for without a substantial addition to power generating capacity it is difficult to envisage a step up in the rate of growth of industrial production from the present modest level of 5-6 per cent. While, over a period of one year, demand for power has increased by 18.5 per cent, availability has risen by only 5 per cent. In the circumstances, the shortfall in relation to requirements has increased from 12 million units to 40 million units per day. It seems that the demand from agriculture during the kharif season this year has been relatively low because of a good monsoon and this has helped to spare more power for industry, so that industrial production did not fall off sharply. Such favourable conditions cannot, however, be taken for granted in the future. Perhaps the installation of captive power plants by industrial enterprises may have to be allowed more freely than has been the case in the past.

3.35 On the other hand, an agricultural season as good as that of 1975-76 augurs well in so far as most agricultural raw materials are concerned. If necessary, these can be supplemented by imports. Some revival of rural demand may also be expected as a result of a good crop. In 1975-76, such a demand was not forthcoming because of a decline in agricultural prices, combined with upsetting of financial arrangements in the rural areas consequent on the restrictions on money lending. In 1976-77 the lower level of agricultural production could have had a similar inhibiting effect, but with the new emphasis on rural development it can be hoped that consumer demand in rural areas will pick up.

3.36 As for the products of the engineering industry, specially machinery manufactures, the fact that we are able to bag more and more contracts abroad would seem to indicate a bright future. Public sector units like BHEL, Engineering Projects (India) Limited and HMT, and important private sector engineering units are all engaged in fulfilling export orders. The basic infrastructure for a larger export effort has now been built up. With production of steel currently in excess of domestic demand the outlook for engineering exports is good, and by the end of the decade they should reach a level of Rs. 1000 crores.

3.37 However, it should be evident that, in the coming year, increases in output will depend largely on a further improvement in capacity utilisation. Creation of more capacity has been rather slow in the immediate past. Moreover, the new emphasis on small scale industries may lead to increased production in the small-scale sector. Since the official Index of Industrial Production does not fully take into account growth in the small-scale sector, the figures of output may understate the real extent of increase. A true assessment would then depend on such indicators as employment, bank credit to the small-scale sector, and output of intermediate goods in the large-scale sector. It is these which will have to be watched carefully in the months to come.