

CHAPTER 3

INDUSTRIAL PRODUCTION

3.1 During April-December 1978, over-all industrial production is estimated to have increased by 7.5 per cent as against 4.2 per cent during the corresponding period last year. On current trends the industrial growth rate for 1978-79 is expected to be about 8 per cent. This will be nearly double the growth rate of

3.9 per cent during 1977-78 and also substantially higher than the average of 4.8 per cent for the period 1970-71 to 1977-78.

Industrial Production in 1977-78

3.2 The rate of growth of industrial production for 1977-78 is estimated at 3.9 per cent which was not

TABLE 3.1
Index of Industrial Production
(Base : 1970=100)

Group Code	Industry Group	Weight	1975-76	1976-77	1977-78*	Per cent change		April-October*		
						1976-77 over 1975-76	1977-78 over 1976-77	1977	1978	Per cent change
1	2	3	4	5	6	7	8	9	10	11
20.	Food manufacturing industries except beverage industries	7.74	106.4	113.0	124.1	+6.2	+9.8	107.0	129.3	+20.8
21.	Beverage industries	0.69	170.9	315.9	362.9	+84.8	+14.9	384.1	435.3	+13.3
22.	Tobacco Industries	2.21	97.9	107.0	107.9	+9.3	+0.8	109.3	113.5	+3.8
23.	Manufacture of textiles	17.43	104.9	103.9	104.7	-1.0	+0.8	103.3	109.4	+5.9
24.	Manufacture of footwear, other wearing apparel, etc.	0.34	92.7	91.7	73.0	-1.1	-20.4	73.6	73.7	+0.1
25.	Manufacture of wood & cork except furniture	0.49	105.9	121.6	129.9	+14.8	+6.8	127.7	123.5	-3.3
27.	Manufacture of paper and paper products	2.24	109.2	111.1	115.2	+1.7	+3.7	112.1	120.2	+7.2
29.	Manufacture of leather & fur products except footwear, etc.	0.32	119.5	110.9	92.3	-7.2	-16.8	112.1	72.6	-35.2
30.	Manufacture of rubber products	2.22	119.4	126.9	129.9	+6.3	+2.4	129.3	142.2	+10.0
31.	Manufacture of chemicals & chemical products	10.90	136.8	161.5	172.3	+18.1	+6.7	168.3	179.0	+6.4
32.	Manufacture of products of petroleum & coal	1.62	122.6	125.9	137.0	+2.7	+8.8	132.3	134.8	+1.9
33.	Manufacture of non-metallic mineral products except products of petroleum and coal	3.33	126.8	142.7	148.7	+12.5	+4.2	146.5	149.6	+2.1
34.	Basic metal industries	8.84	121.5	143.7	143.1	+18.3	-0.4	138.5	144.2	+4.1
35.	Manufacture of metal products except machinery and transport equipment	2.77	128.5	134.6	140.9	+4.7	+4.7	134.3	151.1	+12.5
36.	Manufacture of machinery except electrical machinery	5.55	160.5	169.6	181.5	+5.7	+7.0	170.2	192.6	+13.2
37.	Manufacture of electrical machinery, apparatus, appliances and supplies	5.30	120.3	133.8	141.0	+11.2	+5.4	137.8	151.6	+10.0
38.	Manufacture of transport equipment	7.39	112.7	124.8	123.0	+10.7	-1.4	120.2	118.0	-1.8
39.	Miscellaneous manufacturing industries	1.70	71.0	82.4	111.3	+16.1	+35.1	103.7	134.7	+29.9
	Division 2-3 Manufacturing	81.08	118.9	130.7	136.2	+9.9	+4.2	131.6	141.7	+7.7
	Division 1 Mining and quarrying	9.69	131.8	137.9	141.3	+4.6	+2.5	131.4	131.3	-0.1
	Division 5 Electricity	9.23	145.0	162.1	167.6	+11.8	+3.4	162.0	183.3	+13.1
	General Index (Crude)	100.00	122.7	134.3	139.6	+9.5	+3.9	134.4	144.5	+7.5

*Provisional

unduly low in view of the fact that it was achieved on top of a 9.5 per cent growth rate during 1976-77. Though the slow down in industrial growth in 1977-78 was general, the performance in chemicals, petroleum and coal products, machinery and electrical equipment was not unsatisfactory. In fact, the rate of growth in 1977-78 was higher, as compared to 1976-77, for petroleum products, food manufacturing, paper and paper products, non-electrical machinery and miscellaneous industries. Textiles, which account for a very large weight in the index, staged a small recovery after the decline in the previous year. However, a setback to production occurred in two groups, viz., basic metals and transport equipment. Aluminium, blister copper and pipes and tubes of iron and steel were adversely affected in the first group and commercial vehicles, cars and motor cycles in the latter group.

3.3 Major factors responsible for a general setback in industrial production during 1977-78 were power shortage, industrial unrest and demand constraints affecting certain industries. Electricity generation expanded by only 3.4 per cent as hardly any addition to generating capacity took place in the first half of 1977-78. And there was a marginal decline in the production of coal. The year 1977-78 was among the worst affected in regard to industrial unrest as over two million man-days were lost every month. These factors affected capacity utilisation in a large number of industries.

Production Trends in 1978-79

3.4 For the current year, the official index is available only for the first seven months, April—October 1978, during which the growth rate is put at 7.5 per cent. Detailed data for major industry groups of the index show that electricity generation has recorded an increase of 13.1 per cent. Impressive growth has also taken place in food manufacturing (+20.8 per cent), beverages (+13.3 per cent), non-electrical machinery (+13.2 per cent), metal products except machinery (+12.5 per cent), electrical machinery and rubber products (+10.0 per cent each), paper and paper products (+7.2 per cent) and chemicals and chemical products (+6.4 per cent). Growth in

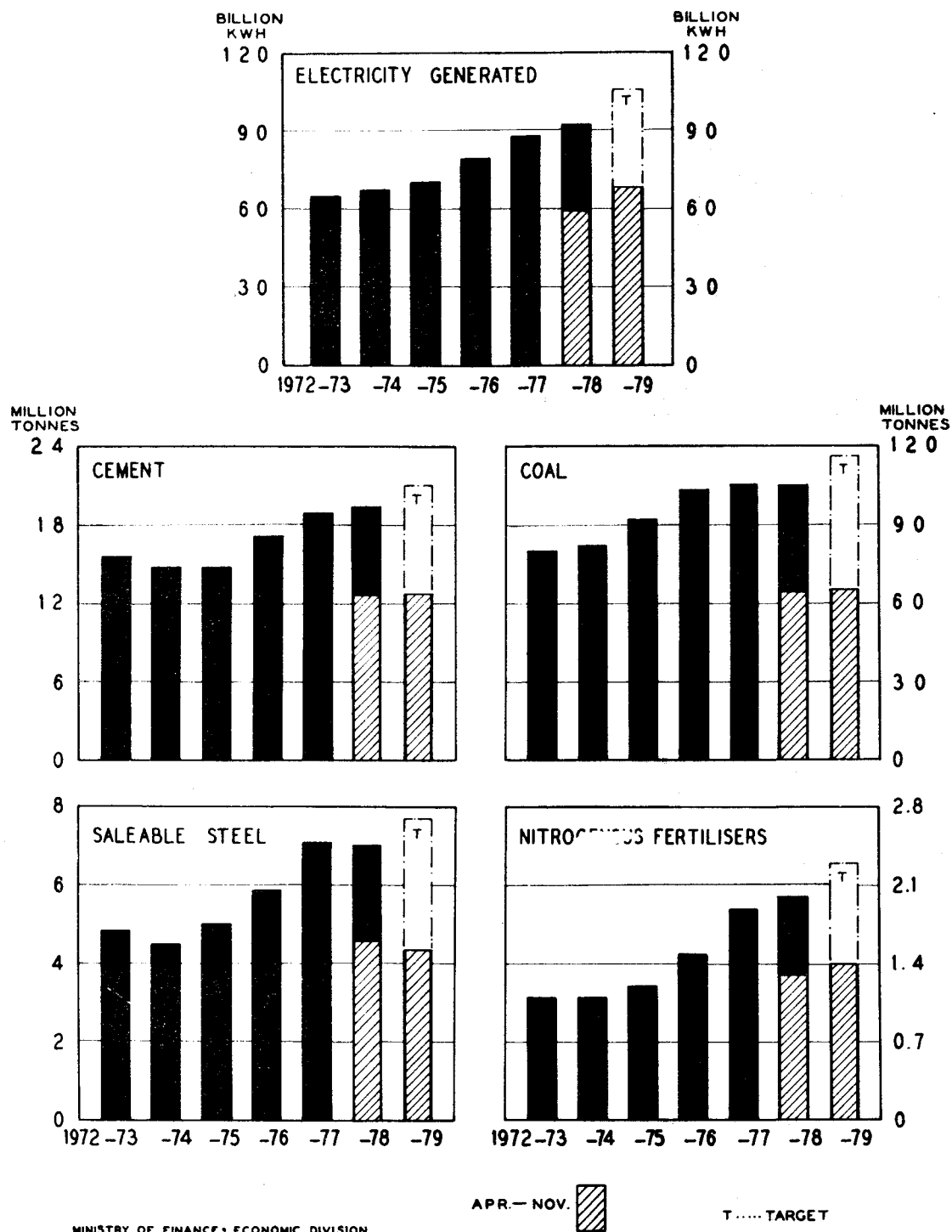
textiles (+5.9 per cent), which have a weight of 17.43 per cent in the Index of Industrial Production, is remarkable considering the relative sluggishness in the earlier years. The miscellaneous group, which includes a large number of industries but has a weight of only 1.70 per cent, has registered a growth rate of 29.9 per cent. The only important group which has continued to suffer a setback for the second year in succession is transport equipment.

3.5 Detailed production data for the period April—November 1978 compared to the corresponding period of 1977 show an unprecedented increase of 149.6 per cent in the case of sugar because of the extension of the crushing season till June 1978. Output of baby food has gone up by 9.3 per cent, biscuits by 6.5 per cent, vanaspati by 21.5 per cent and salt by 32.6 per cent.

3.6 Among the basic metals and metal products industries, output of steel ingots and saleable steel in the main steel plants was lower by 6.0 per cent and 5.7 per cent respectively and that of pig iron by 1.9 per cent. Output of blister copper fell by 18.0 per cent. On the other hand, output of steel ingots in mini steel plants recorded an increase of 54.2 per cent. Aluminium, zinc and lead also recorded significant increases of 19.3 per cent, 49.6 per cent and 42.4 per cent respectively. Significant increases were also recorded by seamless steel pipes and tubes (+16.0 per cent) and forged hand tools (+42.9 per cent). Increases of 10—20 per cent were recorded by structurals, aluminium extruded products, M. S. bolts and nuts and wire ropes. Steel castings, steel forgings, black and galvanised steel pipes and tubes, transmission towers, C. I. spun pipes, copper and brass sheets, cranes and twist drills recorded increases of less than 10 per cent.

3.7 In the non-electrical machinery group, output increases of more than 20 per cent have been recorded by steel plant equipment, paper and pulp machinery, cement mill machinery, printing machinery, diesel engines (vehicular), agricultural tractors and earth moving equipment. Typewriters and domestic refrigerators also fall in this group. Items like boilers,

PRODUCTION OF SELECTED INDUSTRIES



rubber machinery, lifts, air and gas compressors, ball and roller bearings and machine tools have registered an increase in production of 10—20 per cent. Items severely affected are sugar mill machinery (—24.6 per cent) and sewing machines (—39.6 per cent). However, the low production in the first eight months of 1978-79 in the last item is largely due to a lock-out in a major unit.

3.8 Under the electrical machinery group, industries which have shown production increases of 20 per cent or more are winding wires, dry cells and graphite electrodes. Power transformers, electric lamps, fluorescent tubes and radio receivers have also done well. Storage batteries and electric fans have suffered a decline in output which is attributable to industrial unrest.

3.9 In textiles, recovery has been largely led by cotton yarn (including blended yarn), with a growth rate, in April—November 1978, of 8.4 per cent. Mill cloth, however, shows a rise of only 2.2 per cent. Jute manufactures have also recorded an increase of 2.0 per cent.

3.10 In the transport equipment group a mixed trend has prevailed in the first eight months of 1978-79. Commercial vehicles (+35.6 per cent), motor cycles (+36.7 per cent), jeeps (+25.9 per cent), mopeds and scooterettes (+7.2 per cent), auto-rickshaws (+5.8 per cent) and bicycles (+17.1 per cent) indicate a sharp recovery after the stagnation during the previous year. Output of cars was only marginally higher. However, the wagon building industry (—13.9 per cent) continues to pull down the index for the group as a whole. Production of scooters is also below the level of last year.

3.11 Looking at other industrial items, impressive increases (20 per cent or more) in output have been registered by items like leather cloth, scooter tyres, tractor tyres, polyester filament yarn, nylon tyre cord, malathion, tooth-powder, tooth paste, vitamin A, phosphatic fertilizers, paints and varnishes, house service meters, clocks and wrist watches. On the minus side are a few items like leather and rubber footwear, newsprint, grinding wheels, chloramphenicol, polyesterene, synthetic rubber, sulphur drugs, caprolactum and azo dyes. In footwear, the decline was due to a strike in a major unit, now over. Lower production of grinding wheels was a reaction to over-production in the previous year.

S/40 Fin/78—3

3.12 On the power front, electricity generation during April—November, 1978 was 13.1 per cent more than in the corresponding period of last year. This has brought down the gap between the demand and supply from 15 per cent last year to less than 10 per cent at present. Hydel generation has increased sharply by 30 per cent; thermal generation during April—November 1978 was not so satisfactory with capacity utilisation actually declining this year. However, the increase in generation in November and December 1978 of the order of 4.1 and 6.2 per cent respectively indicates that thermal generation is picking up on account of a conscious and concerted effort being made to maximise capacity utilisation in thermal units. The Northern and Southern regions of the country are now in a fairly comfortable supply position while the Western region is only marginally deficient. The deficiency would be overcome by the end of the year. Considerable improvement is also expected by that time in the Eastern and North-Eastern regions.

3.13 Production in public sector enterprises in the first eight months of 1978-79 grew at a rate estimated at 7 per cent, which is in line with the overall rate of growth during this period. This rate has been achieved despite shortfalls of varying degrees in a number of units such as the Cement Corporation of India, NEPA (newsprint), Modern Bakeries, Bharat Earth Movers, SAIL, Hindustan Copper, etc. NTC Mills were able to produce more of saleable yarn but somewhat less of cloth. These set-backs were, however, outweighed by the good performance of other units, including Bharat Heavy Electricals (+26.9 per cent), Hindustan Machine Tools (+83.6 per cent), National Instruments (+41.5 per cent), Scooters India (+26.1 per cent), Tungabhadra Steel Products (+8.4 per cent), Braithwaite & Co. (+16.4 per cent), Richardson & Cruddas (+71.9 per cent), Hindustan Organic Chemicals (+12.5 per cent) and Lubrizol India (+14.6 per cent).

3.14 This broad review of production trends in the first eight months of the current year suggests a recovery in most of the items which had suffered a setback last year. Of current concern is the absence of growth in coal and cement and the decline in steel output in the main steel plants. These are basic inputs and there is no doubt that production in these sectors has to be stepped up substantially. The import programme for cement has helped to take care of the shortages of this commodity as a short term measure. In coal and steel, the stocks built up in 1977-78

have been drawn down. Also increased production by mini steel plants has made up the deficiency in steel. The decline in railway wagon production is due to a shortage of wheel sets which is being made good through imports.

3.15 The outlook for industrial growth for the remaining part of the year is satisfactory. In the last three or four months, growth in industrial production has become more evenly distributed among different industries. Further, the effects of this year's floods on industrial production do not seem to have been as adverse or prolonged as feared earlier. This is proved by the increase of about 10 per cent in industrial production in November, 1978 over November 1977.

Capacity Utilisation

3.16 Capacity utilisation in the public sector shows a mixed picture. Utilisation has improved appreciably in 1977-78 in a large number of units. On top of the relatively high capacity utilisation in 1976-77, significant improvements were registered by Tunga-bhadra Steel Products (from 87 to 124 per cent). Hindustan Cables, Hyderabad (from 99 to 129 per cent for dry core cables), Bharat Heavy Electricals, Hyderabad (from 94 to 134 per cent), Hindustan Zinc (from 81 to 134 per cent), and Hindustan Antibiotics (from 86 to 109 per cent for penicillin). Similarly, near full capacity utilisation was achieved in 1977-78 by Bharat Heavy Electricals, Hardwar, Hindustan Machine Tools (for tractors) and Hindustan Zinc (for lead). Some ground was lost, however, by Hindustan Machine Tools in the manufacture of machine tools, by Hindustan Cables, Rupnarainpur (for coaxial cables), Hindustan Photo Films, Britannia Engineering and Indian Telephone Industries, Bangalore, (for Strowger exchange lines). In all these cases, capacity utilisation was, nevertheless, 80 per cent or more. Indian Telephone Industries, Naini, some of the refineries and Madras Fertilisers (for P_2O_5) improved upon their earlier performance so as to enter this range.

3.17 Among the units in which capacity utilisation was low (below 50 per cent) were Bharat Ophthalmic Glass, Bharat Heavy Plates & Vessels, Mining and Allied Machinery Corporation and certain fertilizer units. In the case of Sindri this was obviously because the plant, in the process of modernisation, is changing its product from ammonium sulphate to

the more economic urea. Utilisation in Scooters India Limited also fell from 69 to 48 per cent.

3.18 In the current year (April—November 1978) also a mixed picture emerges. Capacity utilisation in a number of units showed improvement over the levels obtaining in the same period of the preceding year. An increase exceeding 20 percentage points was recorded by Hindustan Machine Tools, Bharat Heavy Electricals Limited (Boilers), Hindustan Teleprinters, National Instruments, Bharat Pumps & Compressors, and Hindustan Antibiotics; increase ranging between 15 and 20 percentage points took place in Instrumentation Ltd., Palghat, National Fertilizers, Nangal, Madras Fertilizers (P_2O_5) and Hindustan Antibiotics (Streptomycin). Among the units recording increase of less than 15 per cent were Hindustan Cables, Triveni Structural, Bharat Aluminium, Hindustan Organic Chemicals, Hindustan Photo Films, etc. On the other hand, capacity utilization dropped in other units such as NEPA (newsprint), Hindustan Paper Corporation, Steel Authority of India Ltd., Neyveli Lignite Corporation, Cochin Refineries, Cement Corporation of India, Lubrizol (India), etc. In general the capacity utilisation was unsatisfactory in units producing newsprint, steel, iron ore, fertilisers, particularly nitrogenous, and drugs and pharmaceuticals.

3.19 Capacity utilisation in the industrial sector as a whole had not shown any significant improvement in 1977-78 over the preceding year, but in the first half of 1978-79, the utilization of capacity has been better in a wide range of industries. Thus over 100 per cent utilization of installed capacity was observed in machine tools, type-writers, soap, motor cycles, razor blades, fluorescent tubes, baby food, viscose filament yarn, nylon filament yarn and polyester fibres. Although the capacity utilization deteriorated in electric fans, storage batteries and wrist watches, it was still over 100 per cent. In case of wrist watches, of course, the deterioration appears to be due to an increase in installed capacity. Industries where 80 to 100 per cent capacity utilisation was observed are aluminium, lead, phosphatic fertilizers, soda ash, viscose tyre cord, nylon tyre cord, PVC resins, synthetic rubber, paints and varnishes, bicycles, domestic refrigerators, electric lamps and radio receivers. In the cement industry, although there has been over 80 per cent utilization of capacity, it was slightly lower than that observed in the first half of the previous year.

3.20. There are a few industries whose capacity utilisation remained below 50 per cent. These are, copper, vat dyes and diesel engines (stationary). Utilization had also been below 50 per cent in PVC/VIR, steel castings and clocks although it was slightly higher than the corresponding period of the previous year.

Industrial Investment

3.21 Direct information regarding private industrial investment is not available. In the absence of more direct and extensive information, reliance has to be put on various indicators of investment. One of the indicators is the data on sanctions/disbursements by public financial institutions. These show a sharp rise in 1977-78 in comparison with the previous year. Thus the total sanctions given by term-lending institutions rose by 26.9 per cent to Rs. 1212 crores in 1977-78 from Rs. 955 crores in 1976-77. Disbursements increased from Rs. 597 crores to Rs. 694 crores, or by 16.2 per cent. Sanctions and disbursements during the first six months of 1978-79 at Rs. 602 crores and Rs. 403 crores respectively show a considerable step up in relation to the corresponding period of the previous year. However, to some extent the increase may be due to a rise in the costs of investment, necessitating supplementary assistance on the part of the financial institutions.

3.22 Capital Goods licensing in the first nine months of 1978-79 has shown a remarkable recovery after the decline in the previous year. While approvals given by the Capital Goods Committee during 1977-78 were only Rs. 148.3 crores as against Rs. 166.7 crores in the previous year (the difference was accounted for by export-oriented industries), in April—December, 1978 approvals have totalled Rs. 153.1 crores compared with Rs. 111.5 crores in the corresponding period of 1977. The industry-wise break up indicates interest in electricals, electronics, engineering, non-ferrous metals, cement, ceramics and refractories, chemicals and man-made fibres. Interest would seem to have waned in paper after the substantial spurt in approvals last year.

3.23 The data on import licensing for capital goods/heavy electrical plant reveal a slight improvement in 1977-78 compared with the previous year. The increase was due to the private sector as approvals on Government account actually declined. In the current year also (April—October) in comparison to the corresponding period of 1977, there has been a

substantial decline in import licensing for the public sector, while for the private sector import licences for capital goods/heavy electrical plant have increased by over Rs. 10 crores.

3.24 By and large, therefore, the picture that emerges is one of optimism on the part of private industry. There is also some evidence of step up in private investment. The increase in gross fixed assets formation during 1976-77 appears to have been of the order of 8 per cent and the tempo seems to have been maintained during 1977-78 also. The domestic consumption of cement and steel increased by 14 per cent and 7 per cent respectively in 1977-78, and the unsatisfied demand for cement which persists in 1978-79 seems to indicate increased tempo of investment activity. There was an increase of 10 per cent in the production of machinery and other capital goods in 1977-78, and the improvement has continued in the current year. Corporate news has been encouraging and the stock market has been buoyant. With power shortages considerably reduced, a continuation of the revival in private investment can reasonably be expected. Another feature of the capital market recently augurs well for private sector investment. A number of capital issues in recent months of companies required to dilute their equity holding under the Foreign Exchange Regulation Act (FERA) have been heavily over-subscribed. This has led to a temporary locking up of funds. With the completion of disinvestment/dilution by FERA companies and release of investible funds, Indian enterprises may attract greater interest than was the case in the immediate past.

Industrial Policy

3.25 The major policy development during the year was concerned with the implementation of the new industrial policy, the thrust of the policy being the promotion of small and cottage industries, the dispersal of industries away from large metropolitan areas, simplification of licensing procedures, removal of critical bottlenecks of capacity and shortages, liberalisation of the imports of capital goods and the removal of sickness in industry.

3.26 The new industrial policy announced on December 23, 1977 envisages the setting up of District Industries Centres in a phased manner in order to promote widely dispersed development of cottage and small scale industries in rural areas and

small towns. The District Industries Centres will provide to small entrepreneurs, under a single roof, all the services and support required at pre-investment, investment and post-investment stages, including feasibility reports, arrangements for supply of machinery and equipment, provision of credit, raw materials, electric power, land and buildings and facilities for quality control, research, extension and entrepreneurial training, and marketing support. A centrally sponsored District Industries Centre scheme was initiated during the year. Upto this time 246 District Industries Centres have been sanctioned throughout the country with a complement of 246 General Managers and 1375 Functional Managers. The State Governments have so far appointed 158 General Managers and 715 Functional Managers; of these respectively 135 and 503 have already been trained. The Government of India is providing a non-recurring grant of Rs. 2 lakhs to each District Industries Centre for the construction of a building and Rs. 3 lakhs for meeting the expenditure on office equipment, vehicles, furniture, etc. The Central Government is to provide 75 per cent of the actual recurring establishment expenditure, subject to a ceiling of Rs. 3.75 lakhs per District Industries Centre per year, and also to contribute, within certain limits, to the establishment charges of Monitoring Cells set up at State Headquarters. A provision of Rs. 27.36 crores for the District Industries Centre programme, comprising of Rs. 20.36 crores as grant and Rs. 7.00 crores as loan, was made in the 1978-79 Budget.

3.27 On the recommendations of the Alexander Committee the import policy for 1978-79 safeguards the interests of small entrepreneurs in the following ways. The import of items reserved for these sectors would generally be banned; their import requirements would be available wholly in free foreign exchange, and the prices charged for materials supplied by the canalising agencies would not be higher than those 'payable by the large users (for high seas sales). The Alexander Committee has also suggested various steps for promoting export orientation of small scale industries and for removing bottlenecks in the way of exports. The Committee found that the share of the small scale sector in total exports was about 15-16 per cent. In non-traditional exports it was even larger, i.e., 35-40 per cent.

3.28 With a view to streamlining and simplifying procedures and policies relating to industrial licensing as well as import and export licensing, a Study Group

on Industrial Regulations and Procedures was appointed. On the recommendations of the Group industrial licensing policy was modified so as to raise the exemption limit for licensing from Rs. 1 crore to Rs. 3 crores. The exemption limit was raised to take account of the sharp increase in investment costs. Also if an undertaking's requirement of foreign exchange for import of components did not exceed Rs. 25 lakhs per year or 10 per cent of the ex-factory value of annual production, whichever is less, it can claim exemption from industrial licensing. Similarly, if an undertaking's annual requirement of foreign exchange for import of components did not exceed Rs. 15 lakhs or 10 per cent of annual production, whichever is less, three years after commencement of production, it would be exempt from industrial licensing.

3.29 The procedure for obtaining clearances for import of capital goods has also been substantially simplified. A three-tier arrangement (instead of 12 channels) has been introduced depending upon the value of imports. The Regional Licensing Offices would deal with applications upto Rs. 10 lakhs instead of Rs. 5 lakhs as at present. Similarly, the Capital Goods *ad hoc* Committee would deal with applications upto a value of Rs. 25 lakhs, while the Capital Goods Main Committee would consider clearances above that level. All clearances below the value of Rs. 25 lakhs would be in free foreign exchange or in credits from State Financial Corporations or All India financial institutions at the option of the applicant. For capital goods clearances above Rs. 25 lakhs the Capital Goods Committee would also decide the source of financing.

3.30 Since a serious shortage was felt in the availability of cement from domestic sources, substantial imports were arranged as an immediate measure and a number of short-term and long-term steps were initiated to raise the production and availability of cement in the country. Thus the provision of a cash incentive on production in excess of the best production during the last three years or 85 per cent of the licensed capacity whichever is higher, a subsidy on the use of furnace oil in place of coal, facilitation of movement by road, and the ensuring of regular power supply to the cement industry, etc., are likely to have an immediate impact on production. Setting up of new capacity has been sought to be encouraged by assuring a post tax return of 12 per cent on net worth. The other long-term measures for encouraging cement production relate

to permission to instal captive power plants, import of pre-calcination technology, setting up of cement plants near the steel plants to utilise slag, incentives for the setting up of mini cement plants, expedition of construction of on-going projects and, above all, close monitoring to ensure hundred per cent capacity utilisation.

3.31 Another significant policy development was the decontrol of sugar on August 16, 1978. Sugar production in 1977-78 far exceeded domestic demand; the higher production could not be exported as the scope for exports was restricted by quotas. Also international prices are substantially lower than domestic prices of sugar. The decontrol of sugar was expected to bring down domestic prices to a reasonable level and raise domestic demand, and thus stabilise the industry.

3.32 An integrated textile policy was announced in August 1978. It seeks, *inter alia*, to achieve adequate supply of low-priced cloth of acceptable quality for the masses, improved arrangements for distribution of this cloth to the weaker sections, rapid development of the decentralised sector and a harmonious balance between the use of cotton and synthetic fibres.

3.33 It is intended that the handloom sector should, to the maximum extent possible, and in the shortest period of time, meet the requirements of cloth for the weaker sections of the population. Consistent with the increase in production in the handloom sector, the manufacture of controlled cloth is to be phased out from the mill sector. Therefore, the statutory scheme for the production of controlled cloth has been replaced with effect from October 1, 1978 by a voluntary scheme on a contractual basis as referred to in Chapter 4.

3.34 The growth of the handloom and khadi sectors is to be ensured by freezing the weaving capacity in the organised and power-loom sectors. This ban will not apply to the woollen section. Steps would be taken to bring into operation adequate new spindleage, so as to meet the yarn requirements of the handloom sector. The policy of reserving certain items of cotton textile for the handloom sector will be effectively implemented.

Sick units

3.35 Sickness in industry continued to cause concern. According to the quarterly returns received by the Reserve Bank of India from the commercial banks, at the end of 1977 there were 289 sick units

and the credit locked up in such units was of the order of Rs. 859 crores. Textiles (other than National Textile Corporation Mills) and Engineering accounted for more than half of the outstanding credit. According to the Reserve Bank data, the number of sick units with credit limits of Rs. 1 crore or more rose by 48 in one year and the blocked credit by Rs. 249 crores. Blocked credit accounted for 14.5 per cent of the total advances to large and medium industry.

3.36 In addition to measures taken last year, Section 72A of the Income Tax Act was amended so as to provide fiscal relief in cases of amalgamation of sick units with sound ones. The scheme of amalgamation has been designed as a package making full arrangements for finance, credit, etc. so that the sick unit could be put on its feet at the earliest. For processing such cases quickly a 'specified authority' has been constituted in the Ministry of Industry.

3.37 The progress of the soft loan scheme announced in 1976 has not been satisfactory. There were some objections from the industry, primarily to the conversion clause which has since been waived. Recently, there have been some further relaxations in respect of bridging loan, documentation, commitment charges and personal guarantees and promoters' contribution. It is felt that, with these concessions, the pace of disbursement of soft loans will pick up substantially. The total sanctions between November, 1976 and August, 1978 come to Rs. 207 crores in respect of 149 applications. One-third of the total applications have received favourable consideration and the amount sanctioned is about one-fourth that asked for.

3.38 The small scale sector, too, suffers from sickness. According to the Reserve Bank of India there were 8000 sick units in the small sector last year, and the credit to them amounted to Rs. 200 crores. Although the number of sick units is less than 2 per cent of those having credit accounts the amount of credit locked up would be about 15 per cent of the total for this sector. Considering the emphasis placed on the small scale sector in the new strategy due attention needs to be paid to its problems.

Employment in the Organised Sector

3.39 Employment in the organised sector constitutes less than one-fourth of the total number of wage and salary earners. It stood at 21.09 million at the end of December, 1977, which was 3.3 per cent higher than the level a year before. The public sector accounted for as much as 14.15 million and the private sector's share was a little less than one-

third. The growth of employment over the year was also smaller in the case of the private sector, 2.2 per cent as against 3.8 per cent for the public sector. The growth of employment in the smaller private establishments (employing 10—24 persons) on the other hand was a mere 0.5 per cent.

3.40 The highest growth rate was recorded by agriculture, hunting, etc. (15.3 per cent), followed by financing, insurance, real estate, etc. (6.4 per cent), electricity, gas and water (5.9 per cent) and manufacturing (3.5 per cent). At the lower end of the scale came wholesale and retail trade and transport, storage and communications with a growth rate of 1.4 per cent each; social and personal services registered a growth in employment of 2.4 per cent.

3.41 The number of job-seekers on the live registers of the Employment Exchanges rose from 9.33 million at the end of 1975 to 9.78 million in 1976, and further to 10.82 million in 1977. At the end of October 1978 the number stood at 12.33 million as against 10.81 million a year before, showing an increase of 14.1 per cent. It appears that employment opportunities generated in the organised sector have not kept pace with the demand for employment.

Industrial Relations

3.42 The number of man-days lost has tended to rise from the second quarter of 1977. As against 2.5 million in the first quarter of 1977, man-days lost jumped to 5.7 million in the next quarter. The situation became worse during the second half of the year when total work loss amounted to almost 14 million man-days, that is, an average of 2.3 million man-days per month.

3.43 The picture for the current year shows improvement in the first half of 1978; total man-days lost came to 11.2 million according to information available so far. This gives an average of less than 2 million man-days lost per month as against an average of 2.3 million in the second half of 1977.

3.44 There is reason to expect that the total number of man-days lost during 1978 would not

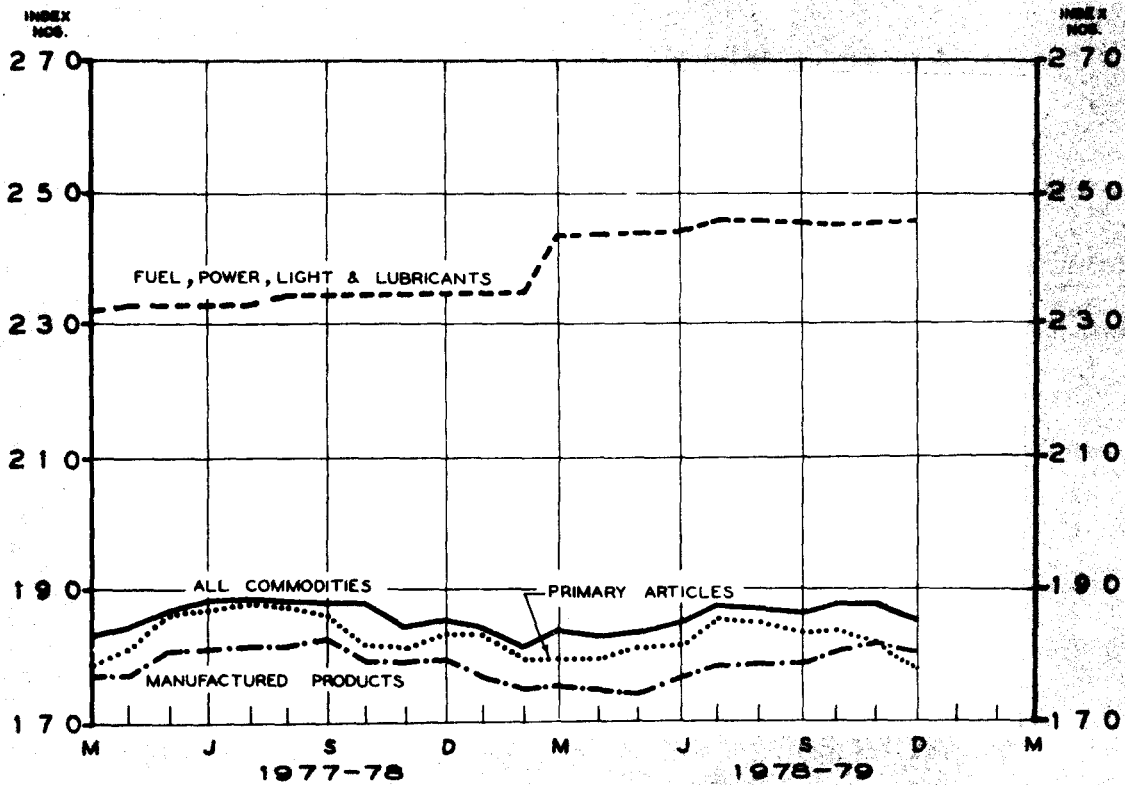
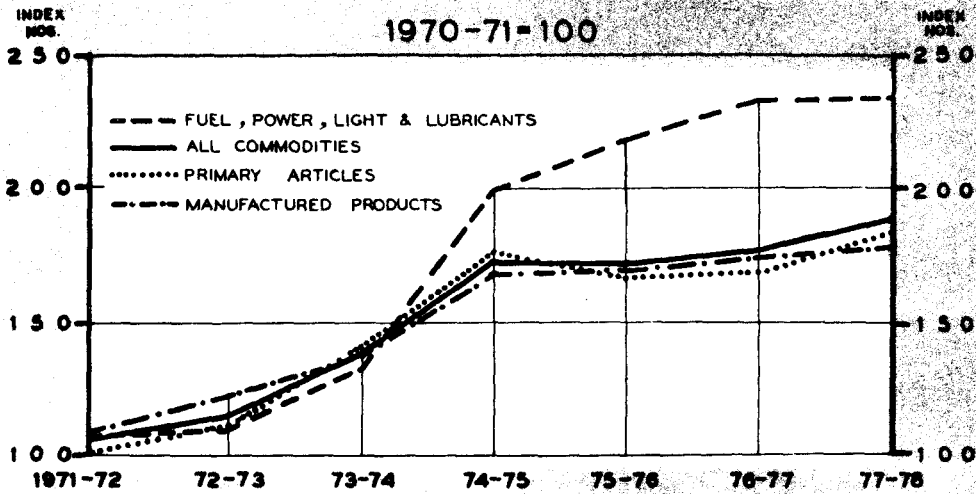
exceed the figure for 1977. This is because some of the major cases of industrial dispute have been peacefully settled. Moreover, the Government has, by an Ordinance issued on September 8, 1978, continued the minimum bonus of 8.33 per cent for the accounting year beginning with January 1, 1977. This would have removed a major source of dispute and ought to be conducive to improved relations. Industrial relations improved significantly after a similar announcement was made in September, 1977 regarding the accounting year 1976, and the share of bonus disputes went down from 16 per cent in 1977 to 7 per cent in the first half of 1978.

Prospects for 1979-80

3.45 On present indications industrial production in the coming year should continue at a fairly high level. The availability of basic materials like steel and cement is likely to improve further because of continued imports and improvement in domestic capacity utilisation due to various measures taken during the current year. Demand conditions are likely to be buoyant because of the high level of agricultural production in the current year and increasing level of Government expenditure and this should lead to greater activity on the part of a whole range of capital and producer goods industries. Power availability is not likely to be a constraint because of the large additions to generating capacity during the current year as also because of the improvements sought to be brought about in the utilisation of thermal capacity. In view of the expected increase in cotton production in 1978-79 the textile industry is likely to continue to operate at a fairly high level. Only in the case of sugar is there a possibility that there may not be much improvement in production over the current year's level.

3.46 This assessment does not take into account the contribution of small scale industry to the total industrial production in the country. The high level of activity in the economy and the various concessions given to small industries should have led to a substantial increase in their contribution to industrial production in the current year. This growing trend is likely to be maintained in the coming year as well.

WHOLESALE PRICES



MINISTRY OF FINANCE, ECONOMIC DIVISION.