CHAPTER 4

INDUSTRIAL PRODUCTION

4.1 The increase in industrial production during 1980-81 is likely to be about 4 per cent. Industrial production had suffered a decline of 1.4 per cent during 1979-80 due to acute problems in the key infrastructure sectors and the severe drought which constrained the supply of inputs to the agro-based industries and reduced demand for industrial products. These causes remained operative during the first half of the current year and kept industrial production depressed. However, since the middle of 1980-81 there has been a revival and notable increases have taken place in the key industries and infrastructural sectors. The index of industrial production for April—November 1980-81 has increased by 1.2 per cent over that in the corresponding period of 1979-80.

Industrial Production in 1979-80

4.2 As already indicated, industrial production declined by 1.4 per cent in 1979-80. The manufacturing sector, which has a total weight of 81 per cent in the index of industrial production, recorded a negative growth rate of 2.1 per cent during the year and caused the fall in the General Index. Electricity and Mining and Quarrying sectors grew by 2.1 per cent and 0.6 per cent respectively.

4.3 The setback in industrial production during 1979-80 was experienced by a wide range of industries. In the manufacturing sector, in 10 out of the 18 groups, carrying a weight of 50.7 per cent in the overall index, the decline in output ranged between 0.2 per cent in the manufacture of electrical machinery, apparatus, appliances and supplies to 29.9 per cent in beverage industries. Particularly important were the declines in food manufacturing by 11.9 per cent, basic metal industries by 4.1 per cent, non-electrical machinery by 2.7 per cent, transport equipment by 2.4 per cent and manufacture of rubber products by 3.2 per cent. In the 8 groups of the manufacturing division where growth in production was positive, the rates of growth ranged between 1.6 per cent in non-metallic mineral products (except products of coal and petroleum) to 16.1 per cent in the manufacture of wood and cork (except furniture) with most of them being around or less than 3 per cent.

4.4 The small improvement of 0.6 per cent in the Mining and Quarrying Division was almost entirely contributed by the marginal increase in the production of coal (including lignite) and petroleum crude. Electricity generation increased by 2.1 per cent during 1979-80. This was due to thermal (including nuclear) generation which increased by 6.8 per cent in 1979-80, and more than neutralised the decline of 3.5 per cent in hydel generation because of the failure of the monsoon during the year.

4.5 The major products which were responsible for the fall in index of manufactured products, were sugar which declined by 26.2 per cent, saleable steel by 8.4 per cent, pig iron by 9.2 per cent, aluminium by 10.2 per cent, and cement by 9.0 per cent.

4.6 Although, industrial production on the whole declined during 1979-80, there were a number of industries which managed to perform fairly well during the year. Growth of over 20 per cent took place in biscuits, polyethelene L.D., nylon tyre cord, room air-conditioners, synthetic detergents, domestic refrigerators, house service meters, razor blades, C.I. spun pipes, polyester filament yarn and air and gas compressors. In the non-electrical machinery group, the output of sewing machines increased by 87.4 per cent. In the textiles group, jute manufacturers recorded an improvement of 27.6 per cent. In the electrical group, the production of electric fans and of graphite electrodes and anodes was up by about 25 per cent. In the transport equipments group, mopeds/scooterettes increased by 55.5 per cent. In the chemicals group, the production of tooth powder went up by 41.1 per cent, and that of sulpha drugs and synthetic detergents by 35.9 per cent and 28.4 per cent respectively.

Industrial Performance in 1980-81

4.7 The declining trend of industrial production in 1979-80 continued during the first quarter of 1980-81. However, since July 1980, industrial production started recovering and has picked up further in the recent months. This is evident from the improvement in the monthly index of industrial production (Table 4.1). The index for July 1980 was higher by 1.9 per cent, for August by 1.6 per cent, for September by 2.5 per cent, for October by 4.6 per cent and for November by 5.6 per cent over the corresponding months of 1979.

TABLE 4.1

Percentage change in Monthly Index of Industrial Production over the corresponding month of the previous year

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1978-79	7.4	11.4	4.7	8.8	7.3	8.7	5.6	10.3	8.1	6.4	7.0	6.0
1979-80	2.1	—1.7	—0.3	—1.3	1.4	—0.1	1.2	—0.7	—5.4	—2.9	—2.1	—5.0
1980-81	—4.9	—2.0	—0.1	1.9	1.6	2.5	4.6*	5.6*				

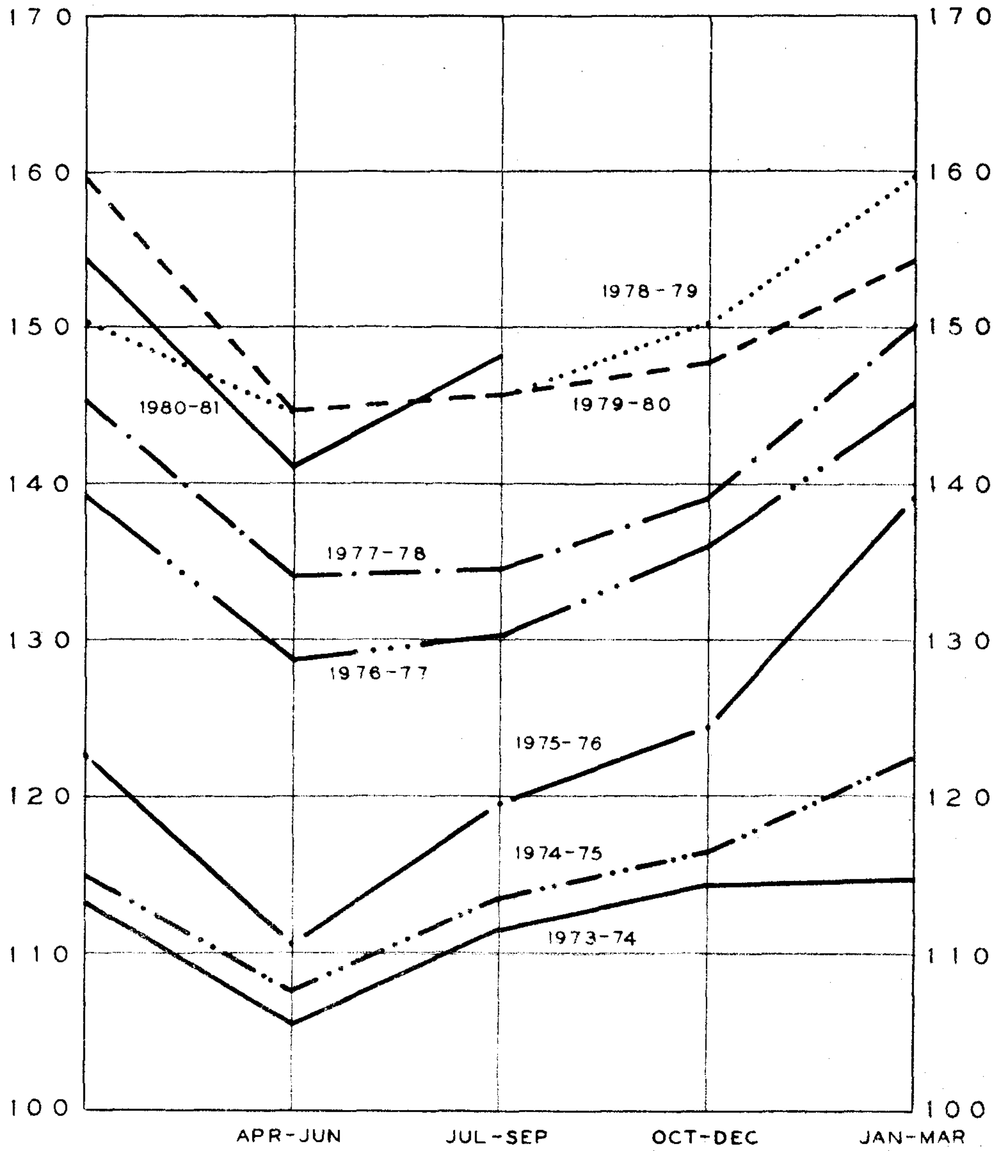
*Based on Quick Index, C.S.O.

INDEX OF INDUSTRIAL PRODUCTION

(CRUDE)

QUARTERLY AVERAGES

1970=100



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4.8 During April—June 1980-81 the average index of industrial production showed a decline of 2.4 per cent as compared with the average index for the corresponding quarter of the previous year. This was a continuation of the deceleration in industrial production that started during 1979-80. The continued set-back to industrial production was evident in the poor performance of the manufacturing sector which was lower by 2.0 per cent, mining and quarrying sector which was lower by 1.9 per cent and electricity generation which was lower by 5.1 per cent. The significant slow down in electricity generation was the result of a sharp decline in hydel generation due to the severe drought last year and continued problems regarding coal supplies and labour relations causing under-utilisation of capacity in thermal plants.

4.9 Information on the production trends of a large number of industries available till November and of a few selected industries upto December 1980 indicate that there are signs of a pick up in a majority of the industry groups which were showing declines in production during the first quarter of 1980-81. The pick up in food manufacturing is expected from the progressive improvement in the performance of vanaspati, flour milling, and salt, more or less sustained increase in the production of tea and the reversal of the falling trend in sugar production. On top of a steep fall of 75.5 per cent in production of sugar observed during April—June 1980-81 compared with the same quarter of 1979-80, sugar production was lower by 30.0 per cent during the second quarter of 1980-81 and by 9.1 per cent during October 1980. In November 1980, sugar production increased

TABLE 4.2

Index of Industrial Production

(Base : 1970=100)

Group Code	Industry Group	Weight	1977-78	1978-79	1979-80*	Per cent Change		April-June*		
						1978-79 over 1977-78	1979-80 over 1978-79	1979-80	1980-81	Per cent change
1	2	3	4	5	6	7	8	9	10	11
20	Food manufacturing industries except beverage industries	7.74	124.1	140.2	123.5	+13.0	—11.9	126.1	116.9	—7.3
21	Beverage industries . .	0.69	362.9	379.8	266.1	+4.7	—29.9	263.4	258.8	—1.7
22	Tobacco industries . .	2.21	108.0	118.5	122.1	+9.7	+3.0	121.7	113.8	—6.5
23	Manufacture of textiles .	17.43	104.7	109.7	112.2	+4.8	+2.3	105.9	110.0	+3.9
24	Manufacture of footwear, other wearing apparel, etc. .	0.34	73.0	76.1	74.1	+4.2	—2.6	80.1	86.3	+7.7
25	Manufacture of wood & cork except furniture . .	0.49	129.9	122.9	142.7	—5.4	+16.1	122.7	138.8	+13.1
27	Manufacture of paper and paper products . . .	2.24	115.2	121.7	124.1	+5.6	+2.0	116.2	120.1	+3.4
29	Manufacture of leather & fur products except footwear, etc.	0.32	92.3	74.8	81.2	—19.0	+8.6	77.7	110.5	+42.2
30	Manufacture of rubber products	2.22	129.9	146.0	141.3	+12.4	—3.2	135.9	136.5	+0.4
31	Manufacture of chemicals and chemical products . .	10.90	172.3	186.6	184.5	+8.3	—1.1	183.1	169.6	—7.4
32	Manufacture of products of petroleum and coal . .	1.62	137.0	141.0	150.4	+2.9	+6.7	151.4	130.7	—13.7
33	Manufacture of non-metallic mineral products except products of petroleum and coal	3.33	148.7	153.9	156.4	+3.5	+1.6	159.3	158.8	—0.3
34	Basic metal industries .	8.84	143.1	144.1	138.2	+0.7	—4.1	141.3	120.8	—14.5
35	Manufacture of metal products except machinery and transport equipment .	2.77	140.9	157.9	163.1	+12.1	+3.3	158.7	142.2	—10.4
36	Manufacture of machinery except electrical machinery .	5.55	181.5	209.1	203.4	+15.2	—2.7	190.9	207.8	+8.9
37	Manufacture of electrical machinery apparatus, appliances and supplies . .	5.30	141.0	161.6	161.2	+14.6	—0.2	151.2	162.7	+7.6
38	Manufacture of transport equipment . . .	7.39	123.0	127.8	124.7	+3.9	—2.4	114.0	117.8	+3.3
39	Miscellaneous manufacturing industries . . .	1.70	111.3	125.1	121.5	+12.4	—2.9	116.1	110.4	—4.9
	Division 2—3 Manufacturing	81.08	136.2	146.6	143.5	+7.6	—2.1	139.5	136.7	—2.0
	Division 1 Mining and quarrying	9.69	141.3	144.2	145.0	+2.1	+0.6	141.0	138.3	—1.9
	Division 5 Electricity .	9.23	167.6	187.9	191.8	+12.1	+2.1	193.0	183.2	—5.1
	General Index (Crude) .	**100.00**	**139.6**	**150.2**	**148.1**	+7.6	—1.4	**144.6**	**141.1**	—2.4

*Provisional

sharply by 56.5 per cent and in December 1980 by 26.7 per cent. The food manufacturing group has, therefore, revived and the substantial improvement in agricultural production during 1980-81 should accelerate this process further.

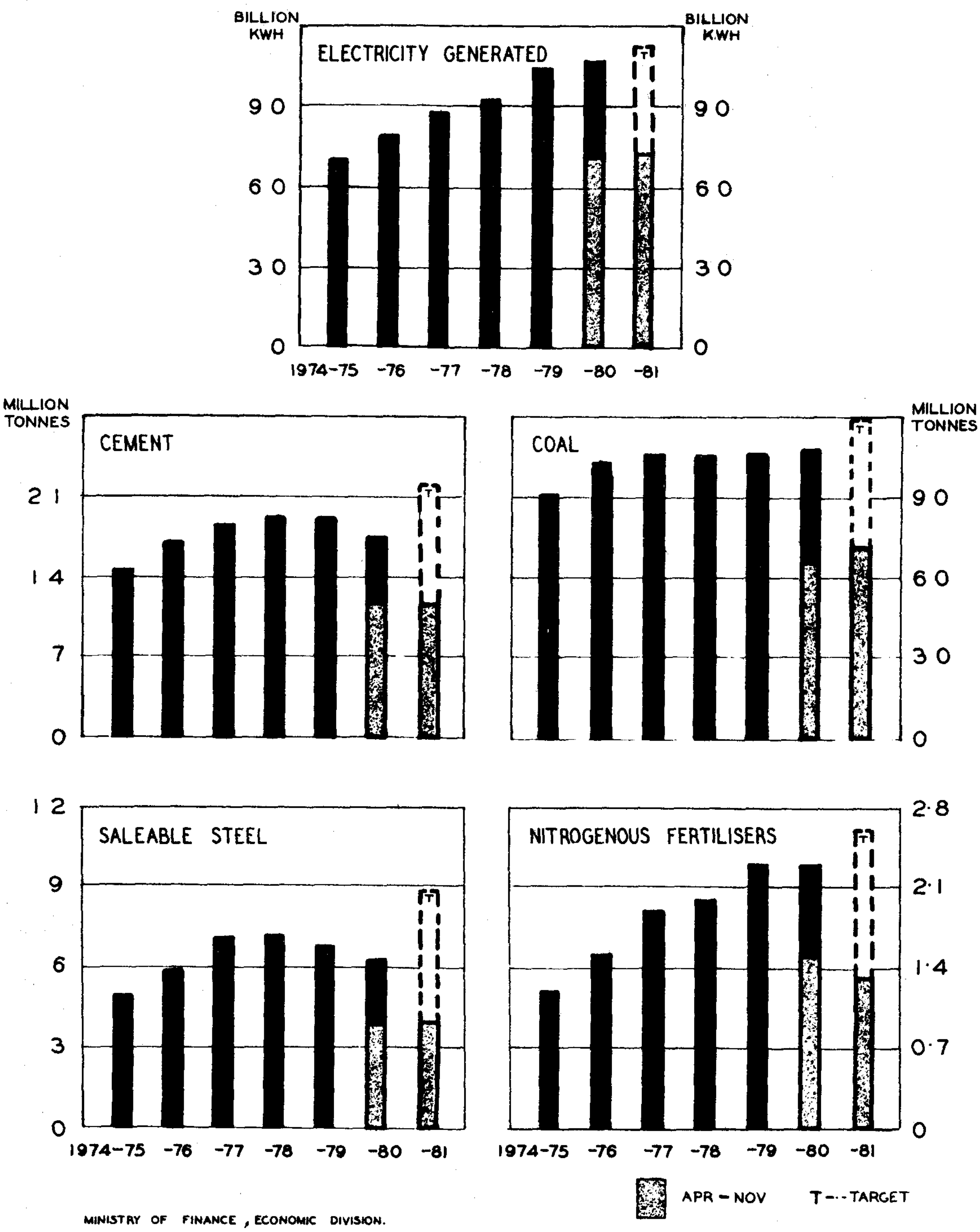
4.10 In the basic metals group, recovery is likely to be much slower since one of the important constituents of the group, namely iron and steel, continued to deteriorate during the second quarter of 1980-81. However, during October, November and December there has been a marked improvement in the production of iron and steel. Another improvement in this group is the reduction of ingot accumulation particularly from October 1980 onwards. There is a considerable improvement in the production of C.I. spun pipes and of non-ferrous metals and their products namely aluminium, blister copper, zinc, lead, aluminium foils, aluminium sheet and circles, aluminium extruded products and copper/brass sheets and circles during the period July to November 1980. With the continued recovery of iron and steel, the production of the metals group will show further improvement during the next few months. In non-metallic mineral products, signs of recovery are clearly evident in cement production which has improved by 1.4 per cent during the second quarter as against the sharp decline of 12.4 per cent witnessed during the first quarter of 1980-81. Cement production has shown a significant increase of 13.0 per cent, 25.2 per cent and 15.7 per cent during October, November and December 1980 respectively over the corresponding months of 1979.

4.11 From the second quarter of 1980-81 there has been a steady improvement in the production of most items in the chemical and chemical products group, which had declined during the first quarter of the year. These items include caustic soda, oxygen gas, calcium carbide, liquid chlorine, penicillin, streptomycin, vitamin 'A', polyethelene L.D., nitrogenous fertilisers, viscose tyre cord, nylon tyre cord, PVC resin, viscose staple fibre, polyester fibre, polyester filament yarn, B.H.C. (Tech.), malathion, DDT etc. Certain other items where production had increased during the first quarter of 1980-81 have shown further improvement in the subsequent months, namely, phosphatic fertilisers, dissolved acetylene gas, chloramphenicol, nylon filament yarn, paints and varnishes and industrial explosives. Items like tooth paste, tooth powder and soap maintained a high rate of increase in production during April—November 1980-81. In case of a few items, however, performance has deteriorated during July—November 1980 in comparison with the same period of 1979 *e.g.* synthetic rubber, sulpha drugs, polystyrene, vat dyes, matches, soda ash, polyethelene H.D. and cellulose film etc.

4.12 The encouraging performance witnessed by the transport equipments group during the first quarter of 1980-81 continued during the subsequent months. Items in the group which have contributed to the improvement include motor cycles, bicycles, scooters, autorickshaws, cars, jeeps and commercial vehicles. Railway wagons and mopeds/scooterettes have by and large, sustained their improved performance achieved during the first quarter of 1980-81, and the output in these two items has increased by 7.1 per cent and 58.7 per cent respectively during April—November 1980. The growth of 7.6 per cent in the electrical machinery group during April—June, 1980 has not been sustained during July—November 1980. However, a number of items included in the electrical machinery group like storage batteries, electric fans, flourescent tubes, wire rods for ACSR, ACSR/AAC, PILC and dry cells, have made positive contributions to the growth of output in this group. Certain items like power transformers, incandescent lamps, VIR/PVC, radio receivers, winding wires, electric motors, motor starters and contactors in this group have pulled down the performance achieved by the group during the first quarter of the year. As in the case of electrical machinery group, the performance of non-electrical machinery group has also been mixed during July to November, 1980. The growth rate of 8.9 per cent achieved by this group during the first quarter may not be sustained at the same level in the coming months. Items in the non-electrical machinery group, which have continued to perform well, include diesel engines (vehicular), air and gas compressors, sewing machine, printing machinery, rubber machinery, power driven pumps, ball and roller bearings, cranes, agricultural tractors, typewriters and domestic refrigerators. Some deterioration in the level of performance after June 1980 has been noticed in boilers, lifts, diesel engines (stationary), machine tools, earth moving equipment, road rollers, and several items of machinery manufactures. The rate of growth of 0.4 per cent achieved by the rubber products group during the first quarter of the current year may well be sustained in the coming months. Except for cycle tyres, which have shown deterioration in production after June, 1980 major items like giant tyres, scooter tyres and rubber footwear have shown further improvement after the first quarter of 1980-81. Tractor tyres have nearly maintained their good performance recorded in the first quarter of 1980-81.

4.13 Electricity generation began to improve from July, 1980. The improvement occurred in both hydel and thermal generation. The increase in power generation during November and December 1980, was 20.5 per cent and 16.3 per cent respectively. However, in the mining and quarrying group, the recovery is not yet in sight, mainly because production of crude petroleum continues to be significantly lower than that during the corresponding period of 1979-80. In fact, the crude output was lower by 31.0 per cent during the first quarter, by 21.5 per cent in the second quarter and by 21.6 per cent in the third quarter of 1980-81 over the corresponding periods of 1979-80. The remarkable improvement in coal output (including lignite) of 11.6 per cent during the first quarter of 1980-81 has not been maintained during the second quarter when production increased by 3.6 per cent only. Coal production picked up again in the third quarter of 1980-81, when it was 11.2 per cent higher over the same quarter of 1979-80. As a result, coal production (including lignite) during April—December, 1980, has increased by 8.7 per cent showing a considerable improvement over the performance during the corresponding period of 1979.

PRODUCTION OF SELECTED INDUSTRIES



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Production Trends in Public Sector

4.14 The public sector undertakings which constitute an important segment of the industrial sector fared badly during 1979-80 as a result of several constraints like non-availability of power, steel and non-ferrous metals, inadequate transport and port facilities, labour relations etc. The output of several public sector units has improved during the first nine months of 1980-81, particularly the production of minerals and metals, coal, medium and light engineering, transport equipments and consumer goods. However, in units producing petroleum, chemicals and pharmaceuticals, and heavy engineering the performance continues to be sluggish.

4.15 An important development in recent years is the rapid expansion of the heavy engineering industries in the public sector. As at the end of 1979-80, the public sector enterprises under the Department of Heavy Industry accounted for a total investment of about Rs. 1050 crores and employed about 1.7 lakh persons. Aggregate production of these units amounted to Rs. 863 crores in 1977-78, which increased by 23 per cent to Rs. 1058 crores in 1978-79. The production in 1979-80 which was Rs. 1180 crores is expected to increase further to Rs. 1300 crores in 1980-81. Public Sector heavy engineering units by virtue of their leadership in their respective sectors and their inherent strength have emerged as major exporters in the engineering sector. Their contribution in the export of engineering goods during April—September 1980 has been about Rs. 124 crores.

4.16 As already reported in the last Economic Survey, some public sector enterprises under the Department of Heavy Industry have emerged as major exporters and this trend has been maintained during 1980-81. Bharat Heavy Electrical Limited (BHEL), Heavy Electrical Corporation (HEC), Hindustan Machine Tools (HMT) and EPI have contributed substantially to total exports. HMT has on hand a number of projects/joint ventures for assisting some of the developing countries to set up their own machine tools manufacturing units. BHEL is also participating in a substantial way in electrification schemes in some countries. Similarly, EPI is engaged in the execution of several construction projects abroad. HEC has on hand orders for export to the USSR and some other countries.

4.17 The number of units registered as ancillaries with public sector undertakings has been steadily increasing in the last few years. From 295 in 1977-78 the number of such units increased to 313 in 1978-79 and to about 330 at the end of 1979-80. In addition, 500 small scale industries are registered with the public sector units for supplying various items like steel castings, malleable castings, iron castings, steel forgings, sheet metal works, machine components etc. Facilities provided to ancillaries and feeder units by public sector undertakings include technical know-how, supply of scarce raw materials, and testing of raw materials and finished products.

Small Scale Industries

4.18 Small scale industries have made steady progress during the last few years. The good performance of the small scale industries under the purview of Small Industries Development Organisation (SIDO) which accounts for nearly 62 per cent of the total production of the village and small industries (VSI) sector in terms of value added is evidenced by their numbers, production, employment etc. The contribution of this sector to exports has also grown.

4.19 During the six years 1973-74 to 1979-80 production of this sector has increased from Rs. 7200 crores to Rs. 19060 crores accounting for about 28 per cent of the total industrial production over the same period. Employment in this sector has risen from 39.6 lakhs to 64.6 lakhs. Exports from the sector amounted to Rs. 1050 crores representing about 16 per cent of the total export during 1979-80. Besides producing consumer goods, the sector now produces many sophisticated and precision products like electronic systems, micro-wave components, electro-medical equipment, T.V. sets etc. The Village and Small Industries sector as a whole accounted for about 51 per cent share in the gross products of manufacturing sector during 1979-80. The value of output by the VSI sector at constant prices has recorded a compound growth rate of 6.8 per cent per annum during 1973-74 to 1979-80.

4.20 The significant progress of the SSI sector during the past several years can be attributed to the encouragement given to this sector through the establishment of institutions both at the Centre and State levels, implementation of various special programmes and schemes like Industrial Estates, Rural Industries, Rural Artisan Programmes etc. Protective policies like preferential purchase by the Government, reservation of industries for exclusive manufacture in the small scale sector etc. have also helped the SSI sector to make considerable progress. The new industrial policy announced on July 23, 1980, has made upward revisions of the ceilings on investment in plant and machinery from Rs. 15 lakhs to Rs. 25 lakhs in ancillary units, from Rs. 10 lakhs to Rs. 20 lakhs in small scale industries, and from Rs. 1 lakh to Rs. 2 lakhs for tiny units. The specific programmes and schemes taken up by the SIDO during the Sixth Five Year Plan period (1980—85) include conduct of entrepreneurial development programmes and training courses, provision of consultancy services and common facilities, ancillary development through sub-contracting, export promotion, setting up of regional testing centres and field testing stations, tool rooms and hand tool institutes, product-*cum*-process development centre, modernisation of selected industries etc. It is planned that the annual growth of production of the small scale sector during the Sixth Plan should be 8.7 per cent. The rate of growth of exports of this sector is expected to be about 12 per cent during the Plan period.

Industrial Relations

4.21 Industrial relations situation as reflected by man-days lost in the current year (1980-81) shows considerable improvement as compared with the situation in 1978-79 and 1979-80. Man-days lost in 1978-79 amounted to a record figure of 39.3 million. This was in part due to the strike in jute textiles in January and February 1979 which alone accounted for 9.4 million man-days. In 1979-80 man-days lost declined to 30.0 million. In the first half of 1979-80, however, man-days lost were higher than those in the corresponding periods of 1978-79 due mainly to the strike in cotton textiles in June and July 1979. But the situation improved in the second half of 1979-80.

4.22 According to information available so far, the number of man-days lost during April—October, 1980 totalled 8.22 million as compared with 22.15 million in the corresponding period of 1979-80.

TABLE 4.3

Man-days lost due to strikes and lockouts

(in million)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
1st Quarter	4.96	13.70	4.27	2.78	6.01	8.21	9.12	5.15
2nd Quarter	4.85	6.11	2.17	3.25	7.41	6.17	10.63	2.77
3rd Quarter	6.74	3.74	2.64	3.86	9.41	7.05	6.28	
4th Quarter	16.71	12.82	2.86	2.48	6.90	17.83	3.97	
TOTAL	33.26	36.37	11.94	12.37	29.73	39.26	30.00	

4.23 However, the labour relations situation is not adequately captured by the data on man-days lost. Go slows, work to rule and similar other action can and do constrain production and smooth functioning of the industrial and transportation systems. Key sectors of the economy such as railways, coal, power, petroleum and banks continue to be afflicted by industrial actions in various forms in 1980-81 with harmful effects on production.

4.24 The Payment of Bonus (Amendment) Ordinance, 1980 (10 of 1980) has since been replaced by the Payment of Bonus (Amendment) Act, 1980. The amended Act is not applicable to public sector enterprises except for those operating in competition with similar undertakings in the private sector; it is also inapplicable to institutions not working for profit like the R.B.I., L.I.C. and to departmentally managed undertakings. All Banks are, however, covered. The Act provides for payment of a minimum bonus of 8.33 per cent or Rs. 100 whichever is higher irrespective of whether there are allocable surpluses or not. Bonus is payable above the said minimum but subject to a limit of 20 per cent provided there is allocable surplus as determined according to a formula. Bonus may be paid under a different formula linked to production/ productivity in lieu of allocable surplus by mutual agreement between employers and workers. Payment under any other formula would, however, be contrary to the law.

4.25 Under Section 32 (iv) of the Payment of Bonus Act, 1965, the employees of an establishment engaged in any industry carried on by or under the authority of any department of the Central Government or a State Government or a local authority stand excluded from the purview of the Act. However, it has been decided to pay productivity linked bonus to employees of Railways, P & T, certain Defence establishments, EPF Organisation; ESIC and a few other such organisations.

Industrial Sickness

4.26 In terms of the definition evolved by the Reserve Bank of India, an industrial unit is regarded as sick if it has incurred cash loss for one year and in the judgement of the bank, it is likely to continue to incur cash loss in the two following years and it has imbalance in its financial structure such as current ratio being less than 1 : 1 and worsening debt equity ratio. Since huge amounts of institutional funds are involved, it is essential to diagnose industrial sickness as early as possible. While the position differs from unit to unit, the major causes for industrial sickness are inadequate managements; under utilised capacity due to shortages of raw materials, power and coal; obsolescence of machinery and equipment; difficulties in marketing, etc.

4.27 Government in co-operation with the Reserve Bank of India have instituted arrangements for monitoring incipient sickness in industrial units so that corrective action is initiated in time. Before action under Industries (Development and Regulation) Act, 1951, for the take-over of management of sick units is considered, the possibility of rehabilitating them through State Governments and financial institutions is considered according to Governments' Policy of Sick Industries. In order to monitor cases of incipient sickness, Reserve Bank of India advised commercial banks to strengthen their organisational set up by establishing special cells to monitor sick units, provide consultancy services to these units and take up suitable nursing programmes. A special cell in the Reserve Bank of India was set up to monitor commercial banks' performance in identifying sick units and taking remedial action. This cell obtains quarterly statements from banks regarding sick units enjoying aggregate credit facility of Rs. 1 crore and above. A special cell was set up within the Rehabilitation Finance Division of IDBI for considering references received from banks in respect of large sick units. Studies are also carried out by this cell to diagnose the causes of sickness and to formulate suitable rehabilitation programmes. The intention is that viable units must be assisted and nursed back to health. The nursing programmes of the banks include rephasing payment of arrears of interest, reduction in the rates of interest and margins, providing additional finance and assistance by way of advice.

4.28 Despite these measures industrial sickness persisted during 1979-80. According to Reserve Bank of India, at the end of June 1979, there were 345 large sick industrial units, in which bank credit amounting to Rs. 1101.72 crores was locked up. According to returns received by the R.B.I. from the commercial banks, the number of sick units in the small scale sector was as high as 20,326 involving bank finance of Rs. 231 crores. During the calendar year 1980 the management of 4 industrial undertakings had been taken over under the Industries (Development and Regulation) Act, 1951. The period of take-over in respect of 20 industrial undertakings was extended during this year and investigations were ordered into the working of one industrial undertaking. Thirteen sick units earlier managed under the Industries (Development and Regulation) Act, 1951, were nationalised during 1980. Industrial sickness involving both large and small scale industries is a matter of serious concern. This is explicitly stated in the Industrial Policy Statement made by the Government in July 1980, which also took serious note of the mismanagement and financial improprieties leading to industrial sickness. It would be necessary to review the whole matter so that Government and financial institutions are not saddled with a miscellany of intrinsically unviable industrial units and to dispel the impression that unscrupulous managements can act with impunity in the hope that they would invariably be baled out of trouble for one reason or the other.

Industrial Investment

4.29 A significant pick up in investment intentions is evident from the consents for capital issues given to non-Government companies. The consents for capital issues which declined from Rs. 417.63 crores in 1978-79 to Rs. 386.43 crores in 1979-80 have picked up remarkably during the first three quarters of 1980-81. The amount of consents for capital issues more than doubled in the three quarters of 1980-81 as compared to those given during the corresponding period of 1979-80. Componentwise analysis shows that consents have been secured more for new investment than for expansion of existing units, and that there is a growing preference for loans rather than equity capital. Even under the loan capital, there is a greater resort to deposits rather than debentures.

4.30 However, issue of consents have not been matched by capital actually raised during this period. presumably because of the time lag involved in raising capital. During 1979-80 capital raised showed a decline of one per cent as compared with the corresponding figures during 1978-79. Data available for the first two quarters of 1980-81, however, showed a sharp decline in capital raised as compared with that in the corresponding two quarters of 1979-80 reflecting the significant fall, by 47.8 per cent in consents during the last two quarters of 1979-80.

4.31 A more direct indication of corporate investment is available from the total loans sanctioned by the term lending financial institutions, including the Unit Trust of India (UTI) and the Life Insurance Corporation (LIC). Data available for the current year (1980-81) are incomplete as these do not include sanctions and disbursements of State Financial Corporations (SFCs) and State Industrial Development Corporations (SIDCs). Excluding these two categories of financial institutions, the total term loans sanctioned during April—September, 1980-81, show an increase of 55.2 per cent over those sanctioned in the corresponding period of 1979-80. During the same period, disbursements have nearly doubled. Sanctions by the Industrial Development Bank of India (IDBI), have increased by 21.9 per cent to Rs. 626.2 crores in April—September 1980 from Rs. 513.9 crores in the corresponding period of 1979. More remarkable is the increase by 39.3 per cent in disbursements of IDBI loans in April-September 1980-81 over the corresponding period of 1979-80 *i.e.,* from Rs. 257.3 crores to Rs. 358.3 crores. The sharp increase in total disbursements during the current year is indicative of the pick-up in actual investment undertaken by industries. Except fertilisers and food other than beverages, disbursement has increased in varying degrees to most industry groups such as textiles (including jute), chemicals and chemical products, rubber products, cement, basic metal industries, electrical and non-electrical machinery and electricity generation. In 1979-80, total term loans sanctioned had increased to Rs. 1906.4 crores from Rs. 1361.3 crores in 1978-79 *i.e.* by 40 per cent. Disbursement, however, had increased only by 29.4 per cent, from Rs. 930.6 crores in 1978-79 to Rs. 1203.8 crores in 1979-80.

4.32 Figures for import licensing of capital goods (CG) and heavy electrical plants (HEP) which reveal the medium term investment intentions, show a mixed picture. In April—September, 1980-81, as compared with the same period of 1979-80, whereas the value of HEP licences has declined by 54.5 per cent, that of CG licences increased by 19.4 per cent, the increase on Government account being significantly higher at 25.5 per cent. Overall, there was an increase of 9 per cent during April—September 1980-81, compared with the same period of 1979-80.

4.33 Another indicator of investment intentions, over the medium term, is the approvals given by the Capital Goods (Main) Committee for import of plant and machinery. In 1979-80, there was an increase by 34.8 per cent in the value of the approvals given, from Rs. 201.6 crores during 1978-79 to Rs. 271.8 crores during 1979-80. During the first three quarters of 1980-81 there was a sharp increase by 62.8 per cent in the total approvals over those during the same period of 1979-80. The rate of approval has accelerated from 5.0 per cent in the first quarter to 79.8 per cent in the second quarter and 106.8 per cent during the third quarter of 1980-81. The approvals granted by the Capital Goods (Main) Committee during 1980-81 cover plant and machinery for man-made fibres, cotton textiles, iron ore and iron and steel manufactures, electronics, cement, ceramics and refractories, paper, paper board and pulp, textiles other than cotton textiles, industrial gases, engineering goods, metals (other than iron and steel) and chemicals. The approvals to rubber and rubber products have, however, lagged behind those given during the same period of 1979-80.

4.34 There are thus clear indications that after remaining sluggish for sometime industrial investment activity is showing signs of recovery. It is hoped that this favourable trend will continue during the rest of 1980-81 and in 1981-82. Several new incentives and other steps taken in the year favouring industrial investment should assist this trend.

Employment in the organised sector

4.35 Employment data are available up to September 1979, which indicate that employment in the organised sector at the end of September 1979 stood at 196.9 lakhs. These data do not include those pertaining to West Bengal, Manipur, Tripura and Nagaland which are not yet available. This figure of employment in September 1979 was 4.7 per cent higher than the comparable figure for September 1978. Over the period September 1978 to September 1979, the growth of employment in the public sector was 5.3 per cent as against 2.3 per cent in the private sector.

4.36 The number of job-seekers on the live register of the Employment Exchanges rose from 13.98 million at the end of August 1979 to 15.64 million at the end of August 1980 *i.e.* by 11.9 per cent. Monthly average of vacancies notified during January—August 1980 declined to 70.7 thousand from the monthly average of 73.6 thousand over the same period in 1979. However, there was an improvement by 3.3 per cent in the average monthly placements effected during January-August 1980 compared with the same period of 1979, from 39.0 thousand to 40.3 thousand, thus showing that the ratio of placements to vacancies has improved.

Industrial Policy

4.37 The industrial policy statement announced by the Government on 23rd July, 1980 was meant to facilitate an increase in industrial production through optimum utilisation of installed capacity and expansion of industries. The policy reiterates the Industrial Policy Resolution, 1956 and aims at reversing the serious set-back recently suffered by the industrial sector. It emphasises rapid and balanced industrialisation of the country with a view to benefiting the common man by increasing availability of goods at reasonable prices, larger employment and higher per capita incomes. The foremost task identified by the new policy is the revival of the economy by solving the problem of shortages of major industrial inputs like energy, transport and coal. The statement emphasises the need to reach the benefits of industrialisation to all segments of the population, by extending preferential treatment to agro-based industries, promoting economic federalism through coordinated development of small, medium and large enterprises, promoting the dispersal of industries to backward rural and urban areas and protecting consumers against high prices and bad quality of goods. Stress is also placed on promoting optimum inter-sectoral relationships.

4.38 The statement reiterates Governments' commitment about the public sector which will continue to occupy a commanding position in the country's economic framework. The provision for automatic growth has been extended to more industries. The statement places emphasis on export production. Also, recognition of actually installed capacity has been permitted for the entire list of 19 industries included in Appendix I of the Industrial Policy Resolution of 2nd February 1973, as also to 15 other industries, some of which produce items of mass consumption. Exports will not count against licensed capacity. Diversification has been freely permitted within licensed capacity for specified industries.

4.39 In pursuance of the new industrial policy statement, special consideration is being given to requests for setting up 100 per cent export oriented units and expansion of existing units exclusively for purposes of export. Following the submission of the interim report of the committee on Export Strategy in May, 1980, several export promotion measures have been approved. These include exclusion of production for export in computing licensed capacity; exemption of export oriented units from the provisions of the MRTP Act to the extent of export production; extension of facilities like duty free imports of capital goods, raw materials and components; and concessions in respect of central excise and other central levies to 100 per cent export oriented industries manufacturing non-traditional items.

4.40 Relaxation of the guidelines for the location of industries was announced on 20th November 1980, with a view to harmonizing the twin objectives of optimum utilisation of installed capacity and preservation of the environment. The relaxation in the locational policy is available mainly to industrial units desiring to shift their activities from the present location within a metropolitan area to another location in the same metropolitan area provided there is no change in the essential nature and the volume of their production. It also covers industrial undertakings desiring to manufacture new items but falling broadly in the category of presently produced goods not involving significant additional investment or requirement of power. Manufacture of bulk drugs at existing locations whose production and formulations conform to parameters laid down in the drug policy, industrial undertakings proposed to be located in the industrial areas developed by State Governments with infrastructure facilities prior to December 1977, industrial units predominantly employing handicapped persons or women in non-polluting industries etc., would not require reference to the appropriate Approvals Committee only on grounds of location. Exemption from these provisions would also be available on merits to units which are fully export oriented.

4.41 Pursuant to the new industrial policy steps have also been taken to encourage investment in industry by the revival of the debenture market. Effective from 27th October 1980 the present ceiling of interest rate on debentures has been increased from 11 per cent to 12 per cent, to enable companies, both private and public, to raise more funds. The debt equity ratio for the purpose has also been raised from 1:1 to 2:1. These facilities will be available to companies listed on the stock exchanges. Financial institutions have been specially requested to assist in promoting a secondary debentures market. Companies are allowed to issue secured debentures for working capital and project finance redeemable after 7 years from the date of issue. The amount of debentures issued, however, is subject to usual checks and restrictions to prevent misuse.

4.42 Licensing procedures have been considerably streamlined, and the time-frame for issue of licences has been drastically reduced. Non-MRTP and non-FERA companies can expect to have their licensing applications disposed of within 60 days (against 90 days earlier), while applications of MRTP/FERA companies are to be disposed of within 90 days (against 150 days earlier).

Outlook

4.43 The expected growth rate of industrial production of 4 per cent during 1980-81 though much higher than the previous year is still lower than the compound growth rate of 4.9 per cent achieved during the decade 1970-71 to 1979-80 and the target rate of 8 per cent assumed for industrial output during the Sixth Plan. Although the lagged impact of excellent agricultural production during 1980-81 and the momentum of industrial recovery will spill over into 1981-82 and boost industrial production in that year, yet the extent of revival will critically depend on the speed with which the infrastructural bottlenecks are overcome. For achieving a high growth rate it will also be necessary to make up lags in investment in certain key industries, overcome inefficiency in industrial management, and reverse deterioration in labour relations.