

## CHAPTER 4

### INDUSTRIAL PRODUCTION

Industrial production increased by 4.0 per cent during the first eight months of 1982-83. On present trends, industrial production in 1982-83 is expected to register a growth of around 4.5 per cent compared with 8.6 per cent in 1981-82 and 4.0 per cent in 1980-81. The lower growth rate in the current year compared with last year reflects sluggishness in output in several industries which achieved peak output levels during the previous year. The growth in the key infrastructure sectors ranged between 3.5—7.2 per cent during April—December, 1982. The performance of the public corporate sector showed notable improvement and production during April—October 1982 increased by 8.9 per cent. According to available evidence the decentralised sector including small scale and village industries showed significant progress. Industrial investment climate was buoyant. The prolonged textile strike led to an increase in the number of man-days lost.

4.2 Industrial Policy continued to aim at the generation of internal resources in key sectors, correction of regional imbalances, accelerated research and development, better utilisation of installed capacity, generation of exportable surpluses and creation of employment opportunities. Several innovative steps were taken during the year to give desired direction to industrial expansion.

#### Industrial Production in 1981-82

4.3 Industrial production increased by 8.6 per cent in 1981-82 as against 4.0 per cent in 1980-81 and a fall of 1.4 per cent in 1979-80. There was sustained improvement throughout 1981-82, the growth rates in the first, second, third and fourth quarters were 11.3 per cent, 9.1 per cent, 8.0 per cent and 6.4 per cent respectively. Several key industries including sugar, vanaspati, fertilisers, paper, caustic soda, soda ash, petroleum products, cement, steel, railway wagons, commercial vehicles, agricultural tractors, etc., achieved new peaks during 1981-82.

4.4 Fourteen of the 18 groups in the manufacturing sector with a weight of 61.14 per cent in the index of industrial production registered increased output ranging from 1.3 per cent to 46.4 per cent. Over 15 per cent growth was achieved in three groups viz., beverages (+46.4 per cent), footwear, other wearing apparel, etc., (+17.3 per cent) and products of petroleum and coal (+16.9 per cent). Growth rates between 10 per cent and 15 per cent were registered in five groups : food manufacturing except beverage

industries (+12.2 per cent), tobacco industries (+13.4 per cent), paper and paper products (+10.2 per cent), chemicals and chemical products (+13.1 per cent) and transport equipment (+11.1 per cent). The growth rate was 5—10 per cent in non-metallic mineral products except products of petroleum and coal (+3.3 per cent), basic metal industries (+7.7 per cent) and machinery except electrical machinery (+7.8 per cent). Growth rate was below 5 per cent in rubber products (+3.6 per cent), metal products except machinery and transport equipment (+1.3 per cent), electrical machinery, apparatus, appliances and supplies (+3.5 per cent). The combined weight of the four groups in which production declined in 1981-82 was 19.9 per cent. The rate of decline was 12.9 per cent in wood and cork except furniture and 15.3 per cent in miscellaneous manufacturing industries. The decline in manufacture of textiles (—2.3 per cent) led to a significant set back to industrial production since it has a weight of 17.4 per cent in the index of industrial production. There was a fall in the output of leather and fur products except foot wear (—4.3 per cent) in contrast to a substantial growth of 18.2 per cent achieved during 1980-81.

4.5 The growth of 15.8 per cent in the mining and quarrying sector was mainly contributed by the significant improvements in coal production (including lignite) by 10.2 per cent and of crude petroleum by 54.6 per cent. In electricity, the growth rate was 12.6 per cent in thermal generation (including nuclear) and 6.6 per cent in hydel generation. Overall power generation increased by 10.1 per cent during 1981-82.

4.6 Factors that contributed to the high growth in industrial production during 1981-82 included comfortable availability of electricity and coal and a significant easing of rail transport bottlenecks, enhanced availability of agricultural inputs particularly sugarcane, and generally cordial labour relations barring the textiles group. Capacity utilisation improved and in many crucial areas significant additions were made to the capacity.

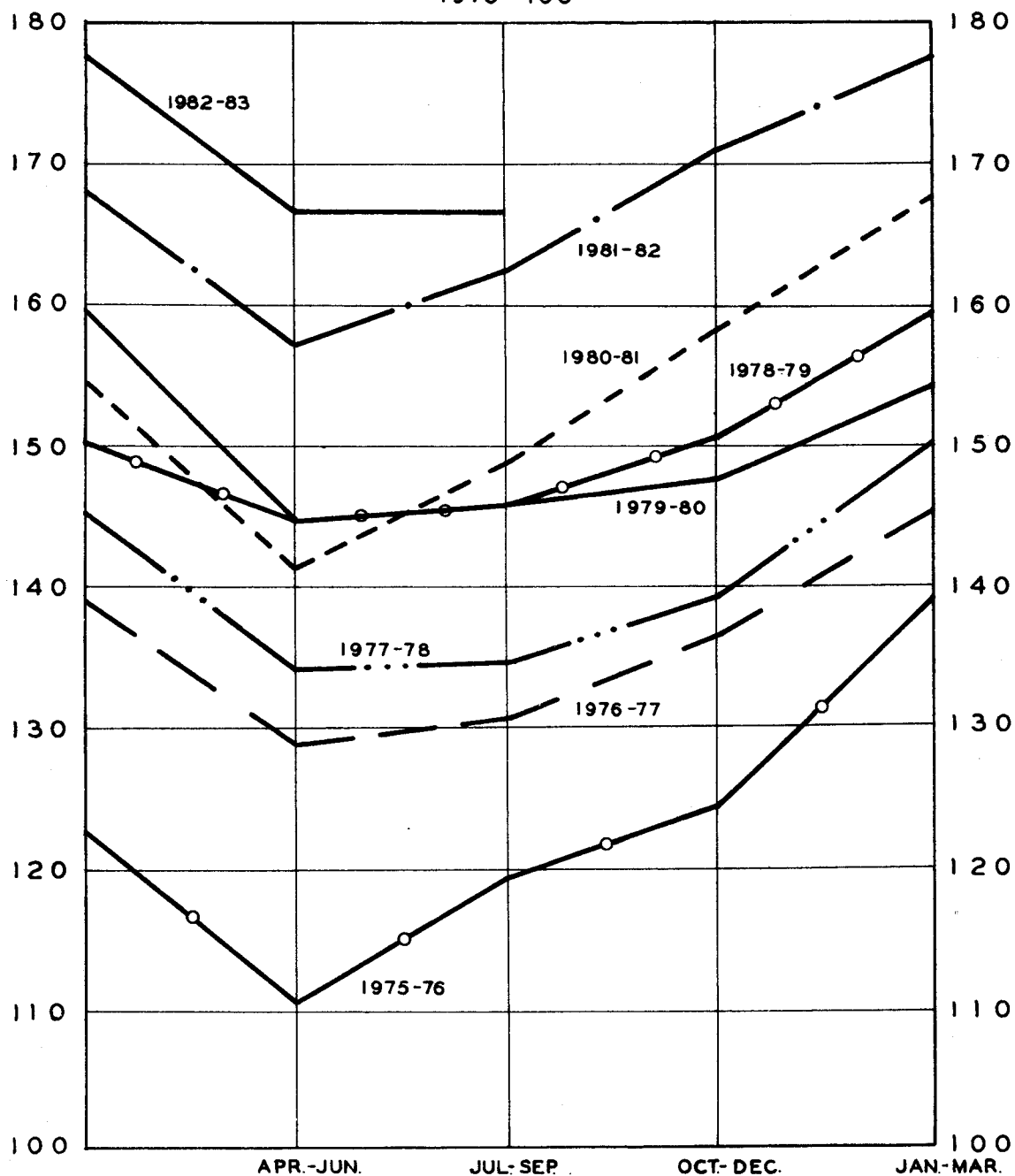
#### Industrial Performance in 1982-83

4.7 During April-November, 1982 the average index of industrial production showed a growth of 4.0 per cent compared with that of 9.5 per cent in the corresponding period of the previous year. The deceleration was primarily in the manufacturing sector which registered a growth of 2.5 per cent compared

# INDEX OF INDUSTRIAL PRODUCTION ( CRUDE )

QUARTERLY AVERAGES

1970 = 100



MINISTRY OF FINANCE , ECONOMIC DIVISION.

with 8.2 per cent in the same period last year. In the other two constituents of the index of industrial production, much higher growth rates have been achieved. It was 10.5 per cent in mining and quarry-

ing compared with 17.9 per cent in the same period last year. The growth in electricity generation was 7.8 per cent as against 11.9 per cent during April-November, 1981.

TABLE 4.1  
Percentage change in Monthly Index of Industrial Production over the corresponding month of the previous year

Year	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
1980-81 . . . . .	-4.9	-2.0	-9.1	2.3	0.7	3.2	5.1	5.5	10.4	8.1	8.2	9.9
1981-82 . . . . .	12.8	8.8	12.5	10.5	8.8	7.9	6.1	9.4	8.6	8.6	5.6	4.9
1982-83 . . . . .	6.5	7.1	4.5	0.3	2.3	3.6	5.6	2.1*				

\*Quick Index.

4.8 The growth in electricity generation of 7.2 per cent during April-December, 1982 was contributed by 11.7 per cent increase in thermal (including nuclear) plants and 0.8 per cent in hydel generation. In the mining and quarrying sector the significant improvement in performance was the result of 30.2 per cent growth in output of crude petroleum which increased from 11.6 million tonne in 1981-82 to 15.1 million tonnes in 1982-83. The production of coal

increased by 4.2 per cent during April-December, 1982.

4.9 The manufacturing sector presented mixed performance during the current year. Twelve out of the fourteen groups that had registered positive rates of growth during 1981-82 maintained progress. In the remaining two groups in the manufacturing division viz., footwear and other wearing apparel, etc., and

TABLE 4.2  
Index of Industrial Production

(Base : 1970 = 100)

Group Code	Industry Group	Weight	Index				Percentage change			
			1979-80	1980-81	1981-82*	April—October*		1980-81	1981-82	April—Oct. 1982-83
						1981-82	1982-83			April—Oct. 1981-82
20	Food manufacturing industries except beverage industries . . . . .	7.74	123.6	134.1	150.5	121.3	151.7	+8.5	+12.2	+25.1
21	Beverage industries . . . . .	0.69	266.1	329.2	482.0	428.1	541.8	+23.7	+46.4	+26.6
22	Tobacco industries . . . . .	2.21	122.2	127.2	144.2	136.5	154.8	+4.1	+13.4	+13.4
23	Textile products . . . . .	17.43	111.5	115.7	113.0	116.9	100.3	+3.8	-2.3	-14.2
24	Footwear, other wearing apparel, etc. . . . .	0.34	74.1	72.4	84.9	89.3	78.8	-2.3	+17.3	-11.8
25	Wood & cork except furniture . . . . .	0.49	142.3	100.2	87.3	87.3	87.3	-29.6	-12.9	No ch.
27	Paper & paper products . . . . .	2.24	124.9	135.8	149.6	145.4	154.2	+8.7	+10.2	+6.1
29	Leather & fur products except footwear, etc. . . . .	0.32	82.8	97.9	93.7	93.7	84.8	+18.2	-4.3	-9.5
30	Rubber products . . . . .	2.22	141.0	152.0	157.5	149.8	161.8	+7.8	+3.6	+8.0
31	Chemicals & chemical products . . . . .	10.90	184.2	188.2	212.8	204.0	210.1	+2.2	+13.1	+3.0
32	Products of petroleum & coal . . . . .	1.62	150.4	140.5	164.2	163.0	174.8	-6.6	+16.9	+7.2
33	Non-Metallic mineral products except products of petroleum and coal . . . . .	3.33	156.5	161.4	169.9	168.7	175.7	+3.1	+5.3	+4.1
34	Basic metal industries . . . . .	8.84	137.6	137.5	148.1	143.5	154.6	-0.1	+7.7	+7.7
35	Metal products except machinery and transport equipment . . . . .	2.77	161.3	147.7	149.6	149.9	162.0	-8.4	+1.3	+8.1
36	Machinery except electrical machinery . . . . .	5.55	206.0	221.8	239.0	228.2	229.0	+7.7	+7.8	+0.4
37	Electrical machinery apparatus, appliances & supplies . . . . .	5.30	160.0	176.0	182.1	165.7	163.6	+10.0	+3.5	+1.8
38	Transport equipment . . . . .	7.39	126.6	130.7	145.2	138.8	135.2	+3.2	+11.1	-2.6
39	Miscellaneous manufacturing industries . . . . .	1.70	121.4	109.0	92.3	95.0	91.1	-10.2	-15.3	-4.1
	Division 2—3 manufacturing . . . . .	81.08	143.5	148.8	159.9	152.9	157.0	+3.7	+7.5	+2.7
	Division 1 Mining and quarrying . . . . .	9.69	145.1	151.3	175.2	159.3	177.7	+4.3	+15.8	+11.6
	Division 5 Electricity . . . . .	9.23	191.8	202.9	223.6	221.4	239.3	+5.8	+10.2	+8.1
	<b>General Index (Crude) . . . . .</b>	<b>100.00</b>	<b>148.1</b>	<b>154.0</b>	<b>167.3</b>	<b>159.8</b>	<b>166.6</b>	<b>+4.0</b>	<b>+8.6</b>	<b>+4.3</b>

\*Provisional

transport equipment, production declined. In five groups growth accelerated or remained the same during April—October, 1982 viz., food manufacturing industries (+25.1 per cent) tobacco industries (+13.4 per cent), rubber products (+8.0 per cent), basic metal industries (+7.7 per cent) and metal products except machinery and transport equipment (+8.1 per cent). In seven other groups which showed an increase viz., beverage industries, paper and paper products, chemicals and chemical products, non-metallic mineral products, products of petroleum and coal, machinery except electrical machinery, and electrical machinery, the growth rate was lower than that during the same period last year. The remaining four groups viz., textiles, wood and cork except furniture, leather and fur products except footwear and miscellaneous manufacturing industries either stagnated or showed a declining trend.

4.10 Eight industries with a combined weight of 23.4 per cent in the index of industrial production depressed the overall index of industrial production by as much as 2.7 per cent during the first half of the current financial year. These were saleable steel (—2.8 per cent), cotton cloth (including blended|mixed) (mill sector) (—27.0 per cent), cotton yarn (including blended|mixed) (—7.8 per cent), jute manufactures (—9.9 per cent), tea (—1.3 per cent), commercial vehicles (—1.8 per cent), railway wagons (—21.4 per cent), agricultural tractors (—25.5 per cent). Other industries which witnessed declining trend in output during the current year included leather footwear, scooter tyres, salt, soda ash, caustic soda, calcium carbide, polyethylene H.D., PVC resins, sewing machines, viscose filament yarn, viscose staple fibres, viscose tyre-cord, bicycles, cellulose films, streptomycin, chloramphenicol, vitamin A, matches, bolts nuts and rivets, forged hand tools, ball and roller bearings, lead, zinc, copper/brass sheets and circles, zip fasteners, diesel engines (both vehicular and stationary), power transformers, electric motors, air conditioners, ACSR/AAC, wire rods for ACSR, VIR/PVC, wrist watches, house service meters, paper and pulp machinery, etc. Their combined weight was 10.9 per cent.

4.11 However, impressive increase in production was achieved in several key industries during April—October, 1982 including crude petroleum (+32.1 per cent), coal (incl. lignite) (+6.1 per cent), vanaspati (+7.6 per cent), sugar (+300 per cent), cement (+11.8 per cent), phosphatic fertilisers (+10.5 per cent), nitrogenous fertilisers (+10.0 per cent), blister copper (+13.8 per cent), electricity (+8.1 per cent) and petroleum refinery products (+8.1 per cent). Growth was also impressive in certain other industries. Growth rates above 25 per cent were registered in mining machinery, rubber machinery, D.D.T., vat dyes, earth moving equipment, B.H.C. (Tech), newsprint, malathion, typewriters, PILC, C.I. spun pipes, air and gas compressors, polystyrene, sugar machinery, scooters, autorickshaws and grinding wheels. Growth rates between 10 per cent and 25 per cent were registered in polyethylene L.D., aluminium foils, aluminium extruded products, aluminium sheets and circles, motor starters

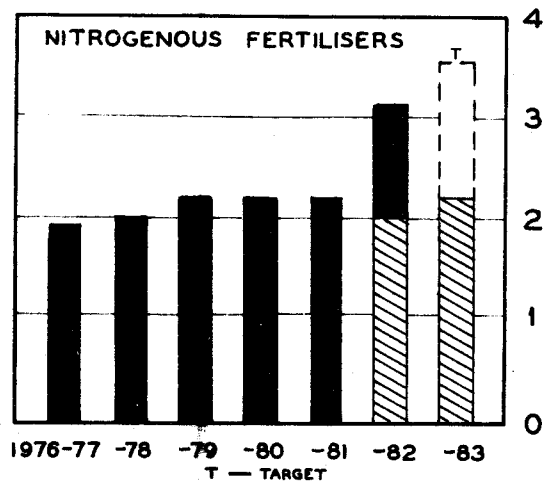
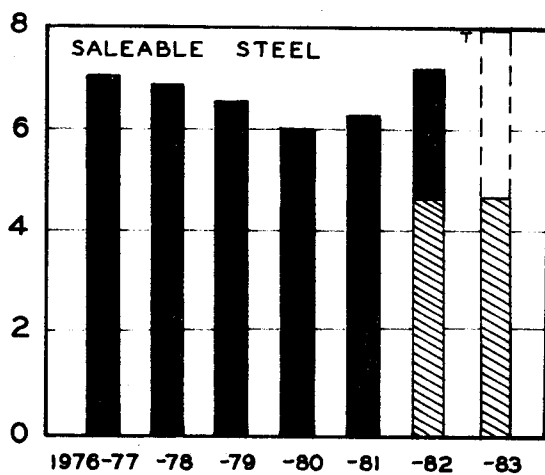
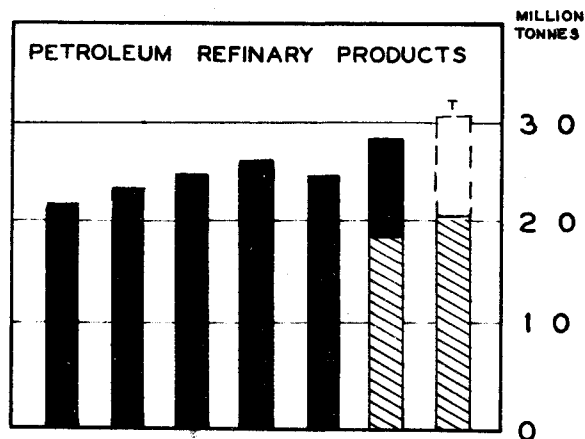
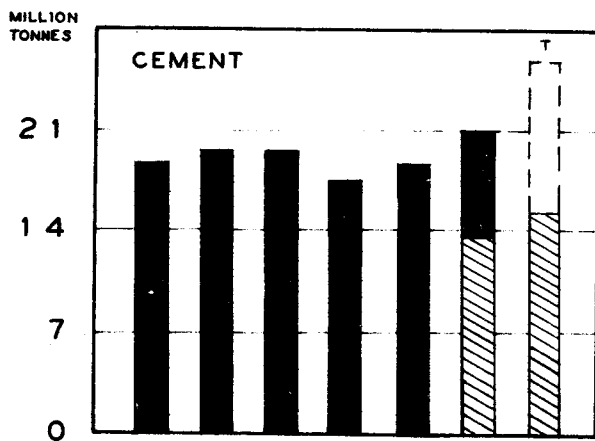
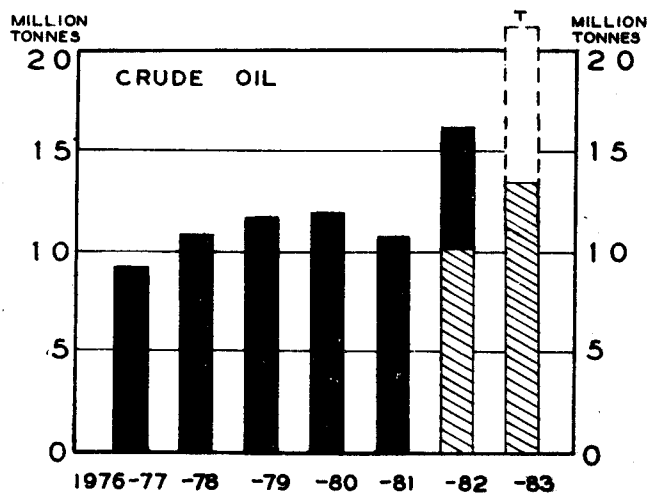
and contractors, nylon tyre cord, industrial explosives, rubber footwear, paints and varnishes, cigarettes, pencils, electric fans, baby food, biscuits, dry cells, motorcycles, domestic refrigerators, chemical machinery, printing machinery, twist drills, cycle tyres, giant tyres, tooth powder, tooth paste, razor blades, road rollers, nylon filament yarn and boilers. The combined weight of industries which showed impressive growth during this period was 17.4 per cent.

4.12 The deceleration in the chemicals and chemical products group was the result of significantly lower growth rates achieved in nitrogenous fertilisers, caustic soda, soda ash, calcium carbide, penicillin, streptomycin, chloramphenicol and several petrochemical items.

4.13 Factors responsible for sluggishness and decline in output during the first half of 1982-83 varied from industry to industry. Industries like agricultural tractors, caustic soda, soda ash, commercial vehicles, paper, saleable steel, etc., suffered from the problems of demand and supply adjustment. Stringency of bank finance also affected the offtake of their output. In export oriented industries, like tea and jute manufactures, the sluggishness in export performance during the recent years was the major reason for the fall in production. Exports of tea dipped to 209.9 million Kgs. in 1981-82 from the peak level of 244.0 million Kgs. in 1976-77; exports of jute manufactures in 1981-82 valued at Rs. 249 crores were substantially lower than those of Rs. 330 crores in 1980-81. In the case of cotton textiles also exports declined sharply to a level of 309.8 million sq. metres from the peak level of 672.0 million sq. metres in 1976-77. The falling trend of exports of these industries, which set in during 1981-82 was aggravated during the current year. These industries also suffered from lack of modernisation and diversification and frequent labour problems. An important factor affecting the cotton textiles and jute manufactures was the emergence of man-made fibres and textiles both in the domestic and the world market. There appeared to be a shift in demand in favour of man-made fabrics owing to its durability. Substitution of jute manufactures with home-made substitutes in several importing countries like Australia, U.S.A. and Africa led to a sharp decline in the import demand of jute. Cotton textiles also faced growing protectionism in the world market. Domestic demand for cotton textiles also was not buoyant.

4.14 The large scale government purchases of jute goods like B-Twills, through D.G.S. & D. and the recently imposed requirements to pack cement, fertilisers and foodgrains in new bags were some of the steps taken to revive domestic demand of jute manufactures. Various other medium term measures were taken to sustain the level of exports of jute goods. Purchases of raw jute by the Jute Corporation of India was yet another step. Such purchases amounted to 17.6 lakh bales during 1981-82 season which was 66 per cent higher than the purchases of 10.6 lakh bales during 1980-81. The RBI constituted two

# PRODUCTION OF SELECTED INDUSTRIES



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standing committees to coordinate the institutional finances for tea and jute industries and study their financial problems on an on-going basis.

4.15 The problems facing cotton textiles industry are also deepseated, but during the current year continued labour trouble led to a significant decline in output. However, despite the decline in output of cotton cloth shortage did not develop, which was reflected in the stable prices. This was partly because of the growing contribution of the decentralised sector in overall production and sluggish demand for cloth in the country. For the revival of cotton textiles Government initiated various steps like soft loan scheme for modernisation, measures to sustain the level of exports in the medium term including cash compensatory support for exports, nationalisation of sick cotton textile mills, measures to revive sick units, etc.

4.16 Production of saleable steel by the main plants declined by 2.8 per cent in the first half of 1982-83 in contrast to a sharp increase in output by 13.7 per cent during 1981-82 when the level of output had reached a new peak. However, total availability of steel during the first five months of 1982-83 was 0.4 per cent more than that in the comparable period of the previous year. Steel industry suffered in the recent months from lack of demand by engineering industries like railway wagons, commercial vehicles, agricultural tractors, etc. Various constraints in the availability of power from the D.V.C. and Orissa State Electricity Board adversely affected production of plants at Rourkela, Bokaro and of the Indian Iron and Steel Co. The industry faced labour problems from stoppage of work by a section of workers at Durgapur in April, 1982. The supply of coking coal was, however, generally good because of better availability of both domestic and imported coking coal. Major repair work carried out at Bokaro in July, 1982 also caused a set-back to steel output. Production, however, was resumed in August, 1982. Since July 1982, Bhilai Plant resumed full capacity operation after the addition of a modified and sophisticated battery. These developments contributed to a reversal of the earlier declining trend in output from September, 1982 onwards. Steel output which showed a decline up to August 1982 increased by 5.7 per cent, 3.9 per cent, 6.9 per cent and 4.1 per cent in September, October, November and December, 1982 respectively. With adequate supply of electricity and coking coal the rising trend in steel output is expected to continue in the remaining months of the current financial year.

4.17 The recent decision to abolish the system of administered prices of pig iron and on all categories of steel produced by integrated steel plants would help the generation of internal resources and their utilization for modernisation, diversification and expansion. Efforts have to continue to minimise the cost of manufacture in steel since lack of maintenance, overaged plant and equipment and inferior quality of raw materials tend to inflate power consumption. In a recent study carried out by the Bureau of Industrial Costs and Prices (BICP) of major steel plants in the S/14 M. of Fin./82-5.

country, it has been emphasised that balancing investments in certain plant and equipment may substantially increase the output of steel and will lead to better capacity utilization of the existing plants. The balancing investments needed in individual plants so as to achieve the optimum output vary from plant to plant and the need for de-bottlenecking may be different from area to area and in different steel plants. It is necessary to assign priority to such low cost investment in steel and other industries. Captive power generating plants should be set up to meet their power requirements fully.

4.18 Industries like agricultural tractors and commercial vehicles faced a situation of excess supply since demand growth was unable to keep pace with the sharp increase in output during 1981-82. The output of railway wagons increased by 29.9 per cent, commercial vehicles by 26.9 per cent, agricultural tractors by 18.5 per cent, soda ash by 13.2 per cent and caustic soda by 7.4 per cent. Another important factor affecting the demand for automobiles and related industries was the efficient performance of the railways in transporting goods during 1981-82. These industries also suffered from some stringency of bank finance in the later half of 1981-82 in view of slower monetary growth during this period which had followed a period of sharp credit expansion in the economy. As a result, considerable inventory build-up took place particularly in the first half of the current year. However, slackened demand for commercial vehicles had a desirable effect of reducing the waiting time in their availabilities. Excess supply was also witnessed in industries like caustic soda and soda ash because of high domestic production during the previous year, continued imports and lower off-take by the textile mills in recent months. The textile strike in Bombay mills also seemed to have a snow-balling effect on other user industries like man-made fibres and yarns. In paper industry also there was significant increase in stocks on account of high output during 1981-82 and continued imports of paper during this year. The excess supply in fertiliser industry could be because of the staggered purchase by farmers in view of comfortable stock situation and lower off-take caused by the set back in kharif production. Unlike the deep-seated problems faced by traditional and export oriented industries like cotton textiles, tea and jute textiles. The current excess supply problems in industries like agricultural tractors, commercial vehicles, railway wagons, paper, fertilisers, etc., may be of a short-term nature and the situation may ease in the coming months.

4.19 Revival of steel output from September, 1982 onwards is likely to make a positive impact on several engineering industries which stagnated during the first half of 1982-83. The prospects of rabi foodgrains production during the current agricultural year have brightened following good rains in December 1982 and January 1983 and may impart a further impetus to the industrial sector in general. The growth in industrial production is likely to improve in the coming months and the growth rate during 1982-83 as a whole may be around 4.5 per cent.

### Production Trends in Public Sector

4.20 There was a notable improvement in the performance of the Central Public Sector Undertakings during 1981-82. According to the index of industrial production of selected Central Public Sector Undertakings, the growth in output of Central Public Sector Undertakings was 19.7 per cent in 1981-82 as against 9.3 per cent in 1980-81. Industries which contributed to this growth and where production increased were : steel by 21 per cent, coal by 9 per cent, lignite by 22 per cent, petroleum crude by 43 per cent, nitrogenous fertilisers by 47 per cent, cement by 78 per cent and heavy engineering goods by 23 per cent. Important factors which contributed to the significant improvement in performance during 1981-82 were the comfortable supply of critical inputs like power and coal because of removal of critical infrastructural bottle-necks and the concerted efforts made for the improvement in production and productivity.

4.21 Output had further increased by 8.9 per cent during April-October, 1982 over the corresponding period of last year. The industrial groups where output increased included minerals and metals, coal, petroleum, heavy engineering, medium and light engineering and consumer goods. However, power availability was a major constraint in the performance of public undertakings particularly in the Eastern Region.

4.22 Steps were taken to further improve the performance of the public enterprises. To enable modernisation, technology upgradation and expansion, emphasis was placed on internal generation of resources. The existing machinery for monitoring and improving the performance of public enterprises was further strengthened in keeping with the emphasis given for improved working of the public enterprises in the Revised 20-Point Programme. Increase in efficiency, capacity utilisation and the generation of internal resources was emphasised. Specific steps were taken for qualitative improvement of the management of public enterprises. These included renewed emphasis on production and productivity, performance evaluation in corporate management with the use of suitable performance norms, preparation of enterprise based action plans, further strengthening of "early warning systems" of reporting in-depth studies in respect of individual public enterprises with a view to solving problems in specific areas of management, etc.

### Small Scale Industries

4.23 According to available estimates based on sample returns Small Scale Industries (SSI) production from both registered and unregistered units in the small scale sector at 1979-80 prices increased from Rs. 23,566 crores in 1980-81 to Rs. 25,920 crores in

1981-82 showing an increase of 10 per cent. Employment in the sector went up from 71 lakhs in 1980-81 to 75 lakhs in 1981-82. The value of exports over the same period also increased substantially from Rs. 1,519 crores to Rs. 1,686 crores i.e. by about 11 per cent. A target of Rs. 27,500 crores of output was fixed for 1982-83 (an increase of 6.1 per cent). The employment target for the year was 78.4 lakhs which on present trends is likely to be achieved.

4.24 Efforts towards a progressive diversification and updating of technology in the recent years significantly contributed to the steady increase in output in this sector. There was a remarkable growth in the output of the highly sophisticated electronic industries like television sets, medical electronic instruments, computers and micro-processor based systems, etc. This was possible because of the continuing incentives combined with positive response from small entrepreneurs. Several facilities and incentives were made available to small scale industries. These included reservation of items for exclusive development in the small scale sector, marketing assistance including reservation and preferential prices and increasing support from the DGS&D through preferential purchases from the small scale sector, provision of credit facilities on soft terms, supply of critical raw materials, etc., on a priority basis. The number of items reserved for development in the small scale sector now stands at 837. The number of items reserved for exclusive purchase by the Government from small scale sector increased from 384 at the end of 1981-82 to 401 in December, 1982. In addition there are 12 items reserved for purchase upto 75 per cent and 24 items for purchase up to 50 per cent of the requirement from the small scale sector. The value of purchases made by the DGS&D from small scale units, which was nominal in the recent past amounted to Rs. 197.8 crores in 1980-81 (out of the total indigenous purchase of Rs. 1432.6 crores) and Rs. 207.3 crores in 1981-82 (out of the total indigenous purchase of Rs. 1,657.2 crores).

4.25 Several measures were taken for the upgradation of technology and accelerating the growth of the small scale industries. These included extension of institutional net work especially in backward areas for attracting entrepreneurial skills for setting up small scale industries, improvement of workshop facilities already being provided by the Small Industries Service Institutes and Extension Centres, opening of Field Testing Stations for improving the quality of products being manufactured by small units, increased marketing support, strengthening the links between concerned central and state agencies, measures to remove raw material constraints, etc.

4.26 To ensure regular supply of raw materials to small scale industries, import policy was further liberalised. The distribution of critical raw materials was streamlined. Public Sector Corporations including Small Industries Development Corporations were allowed to import under OGL on actual user basis

upto a limit of Rs. 50 lakhs per state/union territory. Imported pig iron for the use of Small Industries Corporations was being supplied on a preferential basis from the stockyards of the SAIL located in the respective states. Further steps were taken to implement the concept of 'nucleus plants' referred to in the Industrial Policy Statement of July 1980 so as to create new focal points of growth through the promotion of ancillary industries. Task forces covering 64 districts have already been set up for identifying specific 'nucleus plants' and their ancillaries.

### Industrial Relations

4.27 Man-days lost in 1981-82 amounted to 29.91 million as against 28.06 million recorded in 1980-81. This was mainly because of the strike in the cotton textiles (Bombay Mills), coal mines, plantation and jute textile industries. Tentative statistics available upto August, 1982, show that in April-August, 1982 total man days lost amounted to 5.67 million which was lower than 12.69 million man-days lost in the comparable period of the previous year. However, the impact of the strike in the textile mills in Bombay which accounted for 48.7 million man-days was not fully reflected in the above figures.

TABLE 4.3

*Man-days lost because of strikes and lockouts*

(In million)					
Quarter	1978-79	1979-80	1980-81*	1981-82*	1982-83*
I	8.21	9.01	5.96	8.13	4.68
II	6.17	10.46	5.83	5.96	N.A.
III	7.05	6.20	6.00	2.90	
IV	18.19	4.15	10.27	12.92	
TOTAL	39.62	29.82	28.06	29.91	

\*Provisional.

NA : Not available.

4.28 Moreover, the unsatisfactory labour relations and consequent adverse impact on the economy were not adequately captured by the data on man-days lost alone. Go slows, work to rule and similar other action were also important and difficult to quantify. Important sectors of the economy such as the cotton textiles, coal mining, jute textiles and tea estates, etc.,

were adversely effected by unsatisfactory industrial relations.

4.29 Payment of productivity linked and other incentive bonus to industrial workers initiated recently as a measure for the improvement of industrial relations and productivity was extended to more industries. In 1979-80, employees of the Railways, the P&T and certain Defence Establishments were covered under the Productivity Linked Bonus Scheme. In 1981-82 employees of the Employees' Provident Fund Organisation (EPFO) and employees of Employees' State Insurance Corporation (ESIC) were also covered under this scheme with retrospective effect from 1980-81. Railway employees (excluding RPF/RPSF staff) drawing wages not exceeding Rs. 1600/- per month were granted 31 days' wages as bonus on the performance of 1981-82 as against 24 days' wages paid as bonus in 1980-81 and 23 days' wages paid in 1979-80. In the case of the P&T employees also bonus paid on the basis of productivity during 1981-82 was higher at 22 days' as against 21 days' and 19 days' wages paid during 1980-81 and 1979-80 respectively. Employees of the EPFO were granted 18 days' wages and 21 days' wages on the productivity criterion in 1980-81 and 1981-82 respectively. Payments made on this account to the employees of ESIC were 23 days' wages and 22 days' wages in 1980-81 and 1981-82 respectively. Recently Government decided to pay productivity linked bonus to the employees of the Government of India Presses and the Delhi Milk Scheme on an ad-hoc basis pending finalisation of the formula for payment of productivity linked bonus.

4.30 The industrial relations machinery continued with various other measures to minimise work-stop-pages in key sectors in addition to payment of productivity linked and other incentive bonus. Some measures were also taken through the I.D. (Amendment) Act, 1982, to reduce industrial tension. It was provided that time-bound redress of individual grievances by the concerned Grievance Settlement Authorities in establishments employing 50 or more workers might be taken so as to avoid escalation of these into industrial disputes. Industrial disputes referred to Labour Courts and Tribunals would be decided within three months. In the case of other disputes the time limit for taking a decision should normally not exceed six months. Unfair labour practices on the part of employers as well as employees/trade unions were identified and suitable legal provisions made to subject any person or union committing an unfair labour practice liable to be punished. This was to ensure a check on the cases of violence, go-slows, illegal strike, illegal lock-out and the like which hampered production. Steps were also initiated for amendment of the Industrial Disputes Act with a view to make it more effective. Steps were taken to strengthen the Central Industrial Relation Machinery so as to help take prompt preventive action to avert and solve labour disputes. Efforts were also continued to settle disputes through conciliation, arbitration and adjudication.



### Industrial Sickness

4.31 According to latest data from the Reserve Bank of India, the number of large sick units (large units are defined as those having outstanding bank credit of Rs. 1 crore or more) increased from 382 by end March 1980 to 420 by end March 1981. The credit outstanding to these units also increased from Rs. 1220.9 crores at end March 1980 to Rs. 1413.5 crores by end March 1981. An industry-wise analysis of the total increase of Rs. 192.6 crores between end March 1980 and end March 1981 revealed that the credit outstanding in the case of the cotton textiles, engineering and electricals, rubber and iron and steel increased by Rs. 44.4 crores, Rs. 36.7 crores, Rs. 25.2 crores and Rs. 24.1 crores respectively. Out of the total 420 large units identified as sick at the end March 1981, 329 units were found to be viable whose outstanding bank credit amounted to Rs. 1200.1 crores (i.e. about 84.9 per cent of the total outstanding bank credit to 420 large sick units); 49 units with outstanding bank credit of Rs. 126.7 crores were considered as non-viable by banks. The viability of the 42 units is being determined. Meanwhile 235 units with outstanding bank credit of Rs. 919.2 crores have been put under nursing.

4.32 In October, 1981, the policy regarding sick industrial units was reviewed in the light of the experience of the previous three years. The revised package of policy reiterated the important measures already in force for the prevention and revival of industrial sickness. These included assigning of a **pivotal role** to concerned Administrative Ministries in monitoring sickness and initiating action for their revival, ensuring that the aided units submit periodical returns to financial institutions on utilisation of loans, etc. Certain new directions were also given. For example, financial institutions may maintain a panel of suitably qualified persons, industrywise, from which nominations of directors could be made on the board of those units which were showing signs of sickness. The financial institutions, particularly the IDBI, should consider the feasibility of creating a cadre of professional managers who could be entrusted with the management of units involving **substantial investments by financial institutions**.

4.33 The revised policy also reiterated that nationalisation under the provisions of the Industries (Development and Regulation) Act, 1951 will be resorted to only in cases which would become viable within a reasonable time. Prior to nationalisation, the Administrative Ministry should also explore all possibilities including rationalisation of labour strength/wages, provision of adequate infrastructural inputs, etc., for the revival of these units.

4.34 During the eleven months of 1982, management of one industrial undertaking was taken over under the Industries (Development and Regulation)

Act, 1951 as against two units during the previous year. The period of take over in respect of 39 industrial undertakings was extended during the year. No investigation has so far been ordered into the working of any industrial undertaking as against investigations ordered in respect of three units during 1981. Five units earlier managed under the Industries (Development and Regulation) Act, 1951, were nationalised so far in 1982. No such unit was nationalised during 1981.

### Industrial Investment

4.35 The rate of real gross domestic capital formation at market prices (at 1970-71 prices) which was 20.9 per cent in 1979-80 increased to 21.5 per cent in 1980-81, further increased to 21.9 per cent in 1981-82. The gross domestic capital formation in the registered manufacturing sector (at 1970-71 prices) increased considerably to Rs. 3079 crores in 1981-82 from Rs. 2810 crores in 1980-81. Available indicators suggest that buoyancy in industrial investment climate during the current year continues and that the second half of the year will witness further improvement.

4.36 Consents for raisings capital increased by 17.6 per cent to Rs. 933.5 crores in 1981-82 compared with Rs. 793.8 crores in 1980-81. Capital raised showed notable increase of about 90.0 per cent during 1981-82, when it reached the level of Rs. 525.0 crores as against Rs. 279.0 crores of capital raised in 1980-81. There was a substantial increase by 31.2 per cent in the consents given for raising capital in April—December, 1982 when it reached the record figure of Rs. 837.0 crores compared with Rs. 639.0 crores in the same period last year. However, capital raised by non-government companies during the first nine months of 1982-83 was Rs. 463.0 crores as against Rs. 369.0 crores in the same period last year, showing an increase of 25 per cent. As in 1981-82, in response to the recent measures taken to promote investment, especially in debentures, the share of debentures was dominant during the current year also. It is likely that the total capital raised in 1982-83 as a whole may exceed the amount raised in 1981-82, because of the high level of consents amounting to Rs. 596.8 crores accorded in the second half of 1981-82. The specific measures initiated in the Budget 1982-83 to promote investment by non-resident Indians and persons of Indian origin are also expected to help. On the whole, there has been a good response to the measures initiated in the last one and a half years to augment public participation in corporate investment so as to minimise the heavy reliance on the resources of term lending institutions. It is important to further strengthen this trend.

4.37 The total term loans sanctioned during 1981-82 at Rs. 3130.0 crores by financial institutions showed an increase of 24 per cent over those sanctioned amounting to Rs. 2524.4 crores in 1980-81.

The disbursements increased from Rs. 1602.7 crores in 1980-81 to Rs. 2093.5 crores in 1981-82 or by

30.6 per cent. The increases varied from institution to institution as may be seen in Table 4.4.

TABLE 4.4  
*Assistance Sanctioned and Disbursed by Financial Institutions*

Institution	(Rs. crores)					
	Sanctions			Disbursements		
	1980-81	1981-82	(Percentage change) 1981-82	1980-81	1981-82	(Percentage change) 1981-82
			1980-81			1980-81
1	2	3	4	5	6	7
I.D.B.I.	1257.7 (426.7)	1469.7 (558.9)	+20.4	758.5 (299.3)	897.1 (360.7)	+18.9
I.F.C.I.	206.6	221.9	+7.4	108.9	169.0	+55.2
I.C.I.C.I.	314.1	307.5	-2.1	185.3	268.0	+44.6
L.I.C.	70.0	165.5	+136.4	65.6	135.9	+107.2
U.T.I.	40.4	85.5	+111.6	51.0	62.7	+22.9
G.I.C.	30.8	50.1	+62.7	44.0	33.7	-23.4
I.R.C.I.	17.9	46.9	+162.0	16.8	28.0	+66.7
S.F.Cs.	370.5	501.1	+35.2	248.0	315.4	+27.2
S.I.D.Cs.	216.4	281.8	+30.2	124.6	183.7	+47.4
<b>Total</b>	<b>2524.4</b>	<b>3130.0</b>	<b>+24.0</b>	<b>1602.7</b>	<b>2093.5</b>	<b>+30.6</b>

NOTE : IDBI data in columns (2), (3), (5) and (6) excludes refinance assistance to SFCs and SIDCs, subscriptions to shares and bonds of financial institutions and seed capital. These are shown separately in brackets so as to avoid double counting.

4.38 The total sanctions accorded by financial institutions in 1981-82 for food, textiles, paper, chemicals (other than basic chemicals), iron and steel, metal products, machinery, electrical machinery, transport equipment and electricity generation increased. The increase ranged from 19.3 per cent in textiles to 183.8 per cent in electricity generation. However, there was decline in sanctions accorded to rubber, cement, basic chemicals, fertilisers and non-ferrous metal industries. As regards disbursements, all industries recorded increase of varying degrees in 1981-82 ranging from 5.9 per cent in cement to 88.1 per cent in metal products. Exceptions were electricity generation and rubber industries which showed marginal declines of 1.0 per cent and 0.5 per cent respectively. Latest statistics on sanctions and disbursements by term lending financial institutions (excluding the SFCs and the SIDCs) for April-September, 1982 show that there have been further increases of 3.7 per cent in sanctions and 25.3 per cent in disbursements compared with April-September, 1981. In sanctions, the financial institutions which contributed to the increase were the IDBI (+4.6 per cent), the IFCI (+14.9 per cent), the ICICI (+42.0 per cent), the GIC (+87.0 per cent) and the IRCI (+15.2 per cent). The financial institutions which contributed to the increase in disbursements included the IDBI (+30.6 per cent), the

IFCI (+40.2 per cent), the ICICI (+15.6 per cent), the GIC (+61.9 per cent), the IRCI (+103.0 per cent) and the UTI (+10.5 per cent).

4.39 Statistics of import licensing of capital goods (CG) and heavy electrical plants (HEP) reveal that medium term investment intentions showed a mixed trend during the year. In April-September 1982, the value of CG licences at Rs. 761.2 crores showed an increase of 62.5 per cent over the same period of 1981. The increase on Govt. account was sharper at 92.5 per cent while the value of CG licences on private account increased by 22.2 per cent. However, there was a fall in the value of (HEP) heavy electrical plants licences during the first half of 1982-83 to Rs. 22.1 crores as against Rs. 34.6 crores in the same period of 1981-82. This decrease was on account of a substantial fall in the licences issued on private account.

4.40 The approvals given by the Capital Goods (Main) Committee for the import of plant and machinery increased from Rs. 391.8 crores during 1980-81 to Rs. 476.6 crores or by 21.6 per cent in 1981-82. During the current financial year (1982-83), the approvals increased by 11.7 per cent in the first quarter, declined by 20.6 per cent during the second quarter, but there was a substantial increase of

10.2 per cent in the third quarter. Approvals showed wide variations in different industries during the current year. While approvals to rubber and rubber goods industry grew substantially from Rs. 2.2 crores during April—December, 1981 to Rs. 13.6 crores during April—December, 1982, there were declines in approvals for cotton textiles, engineering, iron and steel (including iron ore), electronics and cement, ceramics and refractories. Approvals increased significantly for textiles (other than cotton textiles) (+23.4 per cent), electricals (+16.3 per cent), man-made fibres (+205.7 per cent), chemicals (+29.7 per cent), and industrial gases (+21.2 per cent).

### Employment in the Organised Sector

4.41 Employment in the organised sector at the end of September 1981 stood at 228.0 lakhs as against 226.1 lakhs in the corresponding period of 1980, thereby showing a small increase of 0.8 per cent. Over the above period, the rate of growth in employment in the private sector at 1.5 per cent was higher than that of 0.5 per cent in the public sector.

4.42 The number of job seekers on the live register of the Employment Exchanges rose from 17.2 million at the end of August 1981 to 19.0 million at the end of August 1982. Monthly average of vacancies notified during January—September, 1982 at 68.9 thousands was 6.4 per cent lower than the average of vacancies notified at 73.8 thousands in the same period of last year. The average monthly placements during January—September, 1982 at 38.7 thousands were also lower than 41.8 thousands to the corresponding period of last year.

### Industrial Policy Development

4.43 The Government announced a scheme in April 1982 under which it would be possible to give a positive production orientation to the industrial economy with measures for increasing utilisation of industrial capacity. Under this scheme all industrial units should report their production in the five financial years during 1981-82 and if their best production during any one of these years plus one third thereof was higher than the licensed capacity plus 25 per cent, the capacity would be re-endorsed on the licences to the extent of best production achieved plus one third thereof. The units would again have an opportunity of further re-endorsement of capacity on 31st March, 1983 if they achieved a higher level of production during the year 1982-83 than the re-endorsed capacity. The scheme would not apply to lines of production reserved for the small scale sector, pesticides formulations as also to those industries which were subject to special regulations and licensing on grounds of achieving structural balances or scarcity of raw materials as in the case of vanaspati, milk foods, leather, matches, alcoholic drinks, etc. The MRTP and the FERA houses could avail of this scheme in respect of Appendix I industries where their participation had been permitted as a part of overall industrial policy. It had also been provided that applications for re-endorsement of capacity in respect of non-MRTP and non-FERA companies would be cleared

within fifteen days of receipt of the applications—this time limit in the cases of applications from the MRTP/the FERA companies would be one month. However, this facility of capacity re-endorsement extended to the MRTP/the FERA companies would be subject to the usual regulatory treatment of these companies so as to prevent any undue increase of dominance of such undertakings. The already prevailing relaxation in the permissible level of production viz., excess production up to a maximum of 25 per cent of registered or licensed capacity and automatic growth to the extent of 5 per cent per annum or 25 per cent in the five year period of the registered or licensed capacities in 34 selected industries would now be reckoned on the re-endorsed capacity. All industrial units would also be permitted to add the necessary balancing equipment provided that this did not lead to increase in capacity by more than 25 per cent and would not also add to dominance in the case of dominant undertakings.

4.44 Government also redefined the list of industries in which large houses and the FERA companies were being permitted to set up capacities covered in Appendix I of the Press Note of February, 1973. This was done in the context of the present need for increased production, higher export generation, adoption of modern technology, etc. Items which had been included were high investment, high technology items which could not be set up in the small and medium sectors and where alternative technology-related investments were not available. This amendment sought to define with clarity the areas of participation of large houses.

4.45 There were major developments in cement policy during the year for facilitating the establishment of new capacity, better productivity of existing units and modernisation of old units with adequate internal generation of resources. A partial de-control of cement was announced at the time of presenting the general Budget for 1982-83. A uniform ex-factory retention price for all cement factories had also been fixed in respect of ordinary Portland cement, Portland slag cement and Pozzolana Portland cement. Under the scheme of partial de-control, the existing cement units were required to give upto 66.6 per cent while new units (which started commercial production after 1st January, 1982) as well as those designated as sick units were required to give upto 50 per cent of their installed capacity as levy cement (37.5 per cent in the first year, 47.5 per cent in the second year and 50 per cent from the third year onwards in respect of new units) consisting of prescribed percentages of ordinary Portland cement and Portland slag cement. In respect of plants suffering from acute power constraints the levy component of cement would be based on "current production" instead of "installed capacity".

4.46 The levy component of cement was meant for the use of State and Central Government Departments, State and Central Government Corporations, factory construction of priority industries under large medium and small-scale industries, socially oriented schemes covered by the Revised 20-Point Programme

and Revised Minimum Needs Programme of the Sixth Plan, places of worship and small consumers to cover construction of small dwelling units and the repairs of residential houses. However, cement would not be released for construction of buildings other than factories, construction of restaurants, hotels, cinema houses, multi-storeyed or commercial buildings and large residential houses. Pre-reservation of cement for the priority sectors of irrigation and power would continue. The existing cement subsidies except those relating to clinker movement and units located in remote areas were discontinued. To meet the requirements of users not covered by the levy quota import of cement was being allowed either through the State Trading Corporation or any of the State Government Corporations. The above price and distribution controls would not apply to mini cement units (composite plants including clinkering and grinding operations up to 66,000 tonnes per annum capacity) except those set up by the MRTP houses. The mini units would also be eligible for excise rebates as decided from time to time by the Government. Effective from October 1, 1982, use of 100 per cent new gunny bags of improved weaving pattern was made compulsory for all cement units. For the promotion of research and development, cement manufacturers would be required to contribute Rs. 0.75 per tonne instead of Rs. 0.50 per tonne at present and this would be applicable to the entire production including free sale quota.

4.47 Within the frame-work of the Industrial Policy Statement of July, 1980, a list of "no industry districts" in various states, were announced in February, 1982, for giving overriding preference in the matter of industrial licensing. The revised list since December, 1982, contained a total of 87 "no industry districts". It was also provided that no change of location from a "no industry districts" to any other area including a notified backward area either within the State or outside the State would be permitted except in very special cases involving over-whelming reasons for which dispensation might be sought from the appropriate Approvals Committee. The Central Ministries and State Governments were urged to provide adequate infrastructural facilities in districts where no large or medium scale industries had been established so far.

4.48 Government announced the technology policy in January, 1983, with the objectives to develop indigenous technology and efficient absorption and adaptation of imported technology suitable to national priorities and resources. The policy aims at minimisation of the country's vulnerability, particularly in strategic and critical areas, by progressive attainment of technological competence and self reliance alongwith increasing use of indigenous resources. Another focus of this policy is to facilitate maximum generation of gainful and satisfying employment to all segments of society especially women and weaker sections. The policy also aims at modernisation of both equipment and technology to facilitate timely replacement of old and outdated technology and to be competitive, particularly in areas with export potential. An overall reduction of demand on energy particularly that from non-renewable sources and a renewed emphasis on

fuller utilisation of existing capacities as well as improvement of the quality of products while paying due regard to preservation of ecological balance are other important objectives of this policy.

4.49 A series of steps were taken during the year to boost industrial investment. The ceiling on interest rate was raised to 15 per cent per annum on non-convertible debentures, while maintaining the interest rate of convertible debentures at 13.5 per cent. The incentive of additional one per cent depending on the profitability was withdrawn for all debentures. In order to make non-convertible debentures attractive, companies might allow a premium upto 5 per cent of the face value of the debentures at the time of redemption of these debentures. To improve the secondary market for non-convertible debentures, the Life Insurance Corporation of India, the Unit Trust of India and the General Insurance Corporation of India recently introduced a scheme for imparting liquidity to investments in non-convertible debentures. They would extend financial support to the issuing companies to enable them to repurchase their debentures from the small debenture holders (total holdings not exceeding Rs. 40,000) provided that they had held such debentures for a minimum period of one year. As a result, the share of debentures in the total consents for capital issues witnessed during the previous financial year strengthened during the current financial year. Several incentives were provided in the Budget for 1982-83 for encouraging investment by non-resident Indians and persons of Indian origin. They would now be allowed to invest, with repatriation rights, in any new or existing company up to 40 per cent of the capital issued by such company. Earlier, this limit was only 20 per cent and confined to the shares of new companies. They could now purchase shares of companies quoted on the stock exchanges upto 1 per cent of its paid-up capital. Interest rates on new deposits of maturities of one year and above held in Non-resident (External) Accounts would carry interest of 2 per cent above the rates permissible on local deposits of comparable maturities. Gifts made in India out of deposits in these external accounts would be free from the Gift Tax. The non-residents could also invest in the 12 per cent six year—National Savings Certificate which would be free from Wealth, Income and Gift Taxes. It was provided that investments were permissible in Non-resident (External) Accounts and shares of Indian companies in India by companies, partnership firms, trusts, societies and other corporate bodies where 60 per cent or more of the interest was held by non-resident Indians as against such facility available to individuals only earlier on a repatriable basis. For expeditious clearance of applications from non-resident Indians relating to industrial approvals, a special cell was created in the Secretariat for Industrial Approvals. To streamline the approval procedures, it was provided that all such cases would be processed and finalised within a period of 45 days.

4.50 The Budget for 1982-83 gave high priority to the development of renewable sources of energy and to meet this objective solar energy devices were

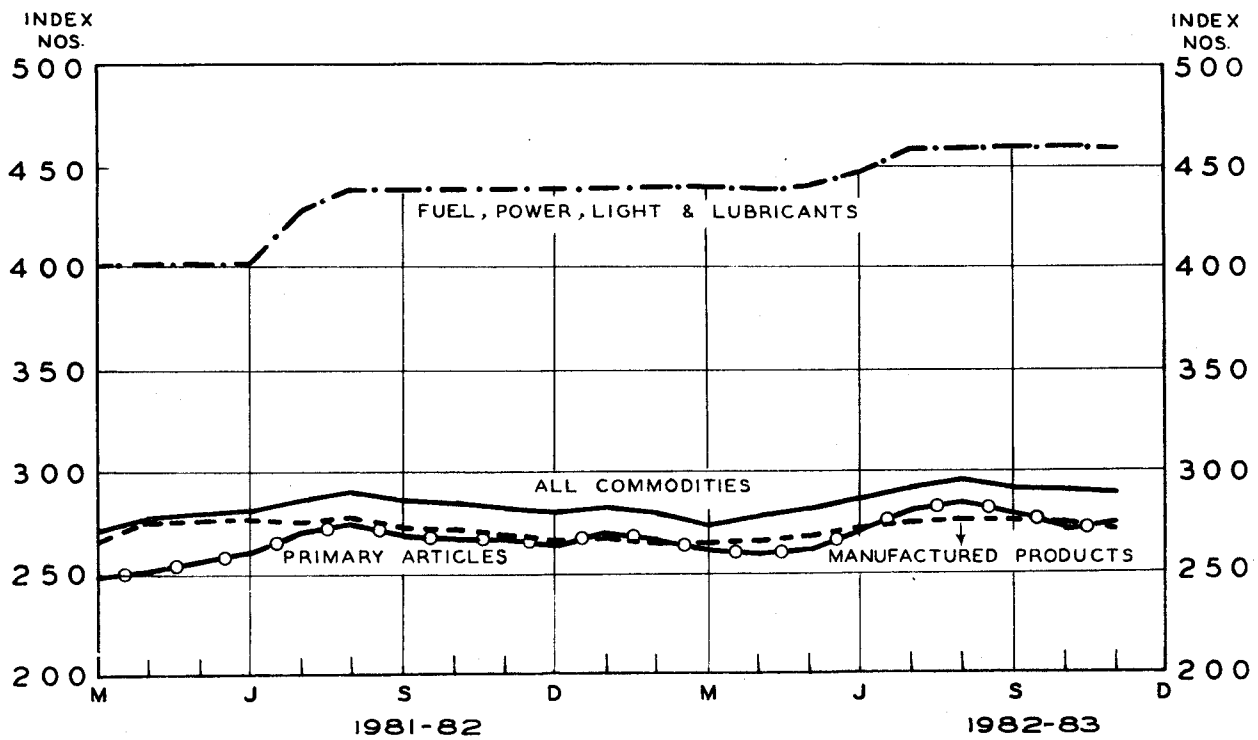
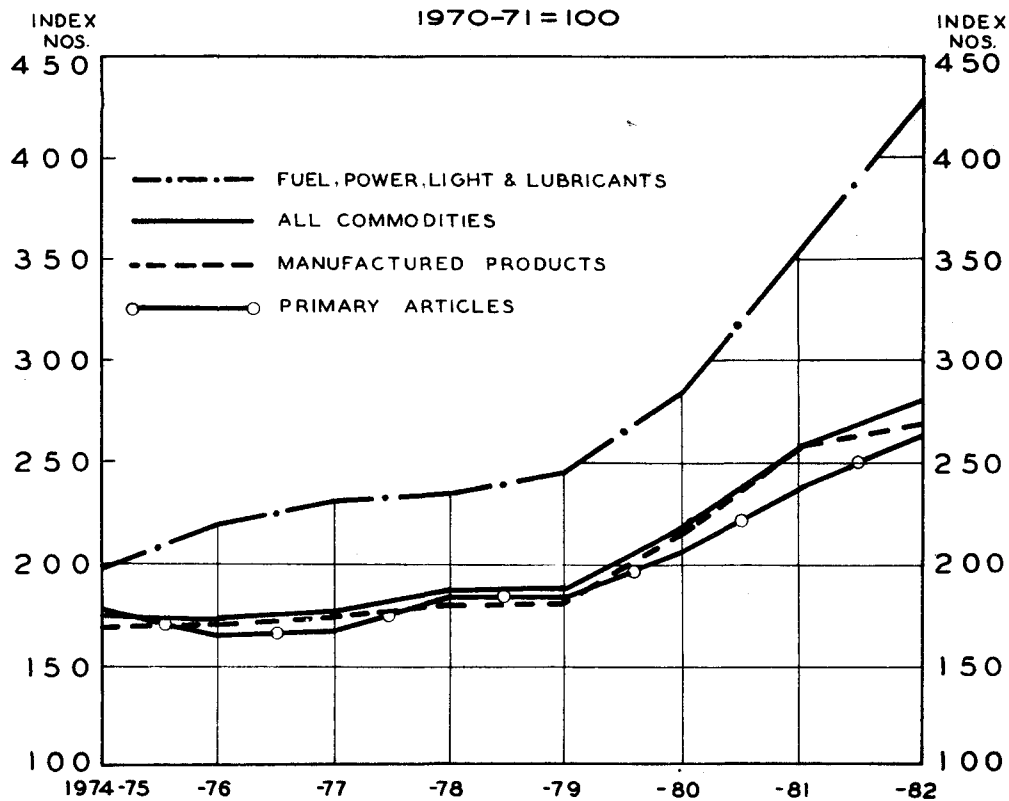
exempted from industrial licensing. A scheme of excise duty concession during the twelve month period from 1st March, 1982 to 28th February, 1983 was introduced to cover 38 tariff items including some basic raw materials, other important industrial inputs and certain finished products like caustic soda, fertilisers, synthetic resins, steel ingots, commercial vehicles, railway wagons, fibres and filament yarn. The scheme of input excise duty relief covering specified industrial products was extended to synthetic rubber, carbon black and rubber processing. Asbestos fibres and yarn were brought under the general scheme of excise duty concession applicable to small manufacturers of 72 specified groups of commodities. Further concessions were extended to electronics since it was both a labour intensive and export oriented industry. Import duty concessions were extended to cover 59 new items of capital equipment and 23 new items of raw materials and components but expensive electronics goods favoured by the affluent were being discouraged.

### Outlook

4.51 Although the overall rate of industrial growth in 1982-83 is likely to be lower than the previous year, there is evidence of some pick-up in industrial production since September 1982. It is hoped that

this trend will continue and part of the drop in production in the earlier part of the financial year will be made up in the last quarter. By and large, the conditions for better industrial performance in 1983-84, are favourable. Although power situation in some parts of the country has been adversely affected by the drought, there has been an overall increase in power generation of 7.2 per cent upto December, 1982, on top of an increase of 10.1 per cent in the previous year. Other infrastructure sectors have shown sustained improvement and the supplies of agro-based or other industrial raw materials continue to be comfortable. The significant improvement in the general price level should provide a more stable environment for industrial investment. Changes effected in the credit policy in the last year are expected to ensure adequate credit for meeting genuine production requirements. Whether these favourable factors can be translated into higher industrial investment and industrial growth would, however, depend on industry itself. There is an urgent need for modernisation and more efficient production in several segments of industry so that average costs and prices can be reduced. Sustained growth in industrial production is possible only if concerted efforts are made to reduce the prices of industrial products through better capacity utilisation, cost reduction through elimination of waste and non-productive expenditure and higher investment.

# WHOLESALE PRICES



MINISTRY OF FINANCE, ECONOMIC DIVISION.