

## CHAPTER 4

### INDUSTRIAL PRODUCTION

The industrial sector registered a growth rate of 5.5 per cent in 1983-84. During the first eight months of 1984-85 the growth rate\* was higher at 6.6 per cent as against 4.4 per cent recorded during the same period last year. Going by the present trends the growth in industrial production is expected to be nearly 7 per cent during 1984-85 as a whole.

4.2 Of the three divisions of the general index of industrial production, Electricity has performed particularly well during April—November, 1984. Electricity generation index has registered an impressive increase of 12.9 per cent as compared to a small increase of 3.9 per cent during April—November, 1983. The index for Manufacturing showed a growth of 5.3 per cent compared with an increase of 3.6 per cent during April—November, 1983. Increase in the Mining and Quarrying index during April—November, 1984, is lower at 8.7 per cent compared with an increase of 11.1 per cent recorded during April—November, 1983. The index of industrial production of selected public sector undertakings shows a growth of 8 per cent during April—December, 1984 as against an increase of 5.4 per cent during the same period last year.

4.3 Industrial relations during 1984-85 were generally cordial. The process of liberalisation of industrial policy and procedures continued during 1984-85, and some fresh steps were taken to impart dynamism to the industrial sector.

#### Industrial Production during 1983-84

4.4 Industrial production as reflected in the general index of industrial production registered a growth of 5.5 per cent in 1983-84. Though not very impressive, the performance was better than in 1982-83 which had witnessed a slow down to 3.9 per cent. The first quarter of the year started with a poor growth rate of 3.4 per cent. However, as the year progressed,

the position steadily improved and the last quarter witnessed a growth of 7.8 per cent. Of the three divisions of the industrial production index, Manufacturing, and Mining and Quarrying, which together account for a weight of over 90 per cent showed an improvement in growth while Electricity registered a small slow down.

4.5 Of the eighteen major groups of industries (at the two digit level) in the Manufacturing division, eleven, accounting for a weight of 57.34 per cent, recorded an increase in production during 1983-84 and the remaining seven, with a weight of 23.74 per cent, had negative growth. Of the eleven groups which showed positive growth, three had more than 10 per cent growth. These were: wood and cork except furniture (51.8 per cent); footwear and other wearing apparel, etc. (17.2 per cent); and transport equipment (14.1 per cent). Other groups showing positive growth in 1983-84 included: rubber products (8.6 per cent); machinery except electrical machinery (8.5 per cent); textile products (6.6 per cent); chemicals and chemical products (6.2 per cent); electrical machinery, apparatus, appliances and supplies (6.2 per cent); products of petroleum and coal (5.8 per cent); non-metallic mineral products except products of petroleum and coal (5.7 per cent); and metal products, other than machinery and transport equipment (4.7 per cent). The groups which recorded a decline in production included tobacco, food manufacturing, beverages, and paper and paper products.

4.6 The engineering industry, comprising six groups of Manufacturing and carrying a weight of 31.55 per cent in the general index, showed a growth of 5.9 per cent in 1983-84, compared with 1.6 per cent in 1982-83. Among the major engineering industries, impressive growth was recorded by agricultural tractors

\*Measured in terms of percentage change in the average index of industrial production during the period under reference over the corresponding period in the previous year

(20.5 per cent), power transformers (34.4 per cent), electric motors (13.5 per cent), three-wheelers (20.7 per cent), motor cycles (18.8 per cent) and bicycles (22.9 per cent). Industries which recorded a rather sharp decline in production were : saleable steel (main plants), road rollers, earth-moving equipment and zip fasteners.

#### Industrial Performance in 1984-85

4.7 During the first eight months of 1984-85, industrial production recorded a growth rate of 6.6 per cent as against an increase of 4.4 per cent in April—November, 1983. From present indica-

tions, the overall industrial growth in the full year of 1984-85 is expected to be close to 7 per cent.

4.8 During April—November, 1984 both Manufacturing and Electricity divisions recorded higher growth, while Mining and Quarrying showed a decline. Helped by a recovery in hydel generation and better performance of thermal units, electricity generation recorded an impressive increase in the first eight months of 1984-85 (12.9 per cent) compared with 3.9 per cent in the same period of 1983-84. Manufacturing also displayed a higher growth of 5.3 per cent compared with 3.6 per cent in the same period of last year.

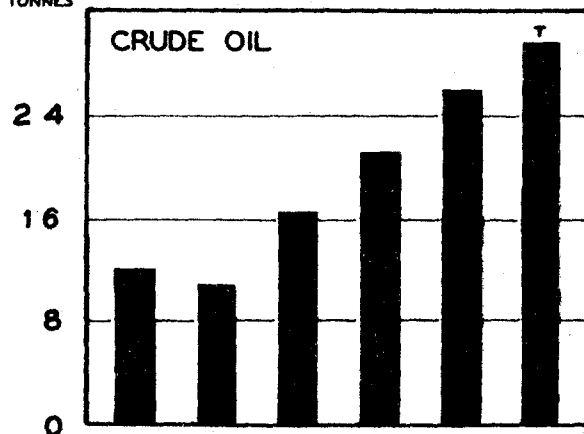
TABLE 4.1  
Index of Industrial Production  
(Base : 1970=100)

Industry Group	Weight	Index					Percentage change over the previous year				
		1980-81	1981-82	1982-83	1983-84	1984-85 (Apr.—Nov.)	1981-82	1982-83	1983-84	1984-85 (April—Nov.)	
1	2	3	4	5	6	7	8	9	10	11	
General Index (crude)	100.00	154.0	167.3	173.8	183.4	186.4	8.6	3.9	5.5	6.6	
Div. 1 Mining & Quarrying	9.69	151.3	175.2	194.1	216.5	215.7	15.8	10.8	11.5	8.7	
Div. 5 Electricity	9.23	202.9	223.6	239.5	255.9	278.8	10.2	7.1	6.8	12.9	
Div. 2—3 Manufacturing	81.08	148.8	159.9	163.9	171.1	172.4	7.5	2.5	4.4	5.3	
Food manufacturing industries (except beverage industries)	7.74	134.1	150.5	171.7	162.7	133.9*	12.2	14.1	—5.2	—8.9*	
Textile products	17.43	115.7	113.0	104.8	111.7	114.6*	—2.3	—7.3	6.6	0.4*	
Chemicals & chemical products	10.90	188.2	212.8	217.9	231.4	243.2*	13.1	2.4	6.2	11.1*	
Engineering Industry	31.55	156.6	166.2	168.8	178.8	181.0*	6.1	1.6	5.9	8.3*	
(a) Basic metals	8.84	137.1	148.1	161.5	160.8	162.8*	7.7	9.0	—0.4	7.6*	
(b) Metal products (except machinery & transport equipment)	2.77	147.7	149.6	161.4	169.0	165.7*	1.3	7.9	4.7	—2.5*	
(c) Machinery (except electrical machinery)	5.55	221.8	239.0	238.7	258.9	256.5*	7.8	—0.1	8.5	5.2*	
(d) Electrical machinery, apparatus, appliances & supplies	5.30	176.0	182.1	174.0	184.7	182.1*	3.5	—4.4	6.1	6.4*	
(e) Transport equipment	7.39	130.7	145.2	152.5	162.6	171.8*	11.2	—1.9	14.1	18.4*	
(f) Miscellaneous manufacturing industries	1.70	109.0	92.3	89.5	78.5	89.9*	—15.2	—3.0	—12.3	17.5*	

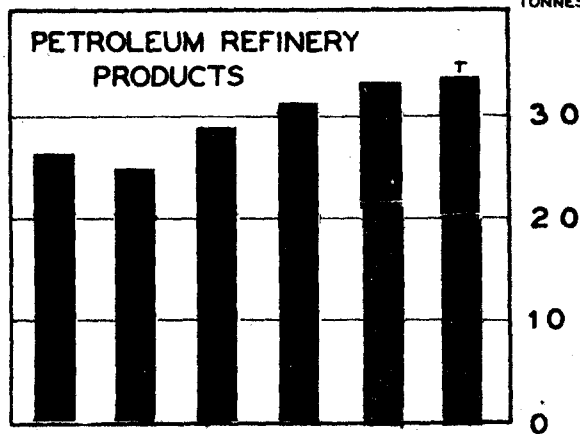
\*Relates to April—October, 1984.

# PRODUCTION OF SELECTED INDUSTRIES

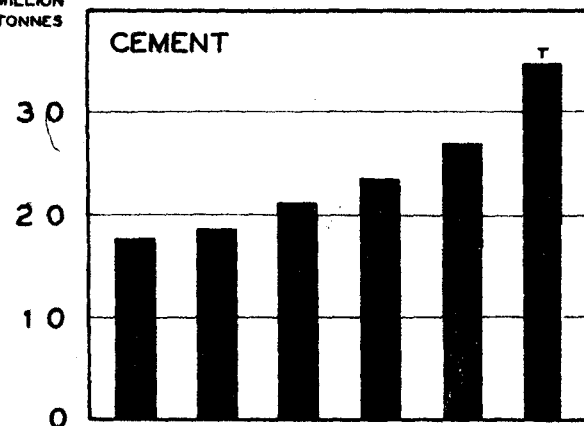
MILLION  
TONNES



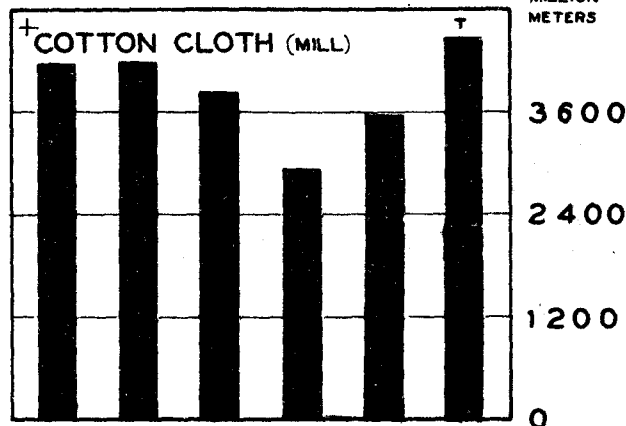
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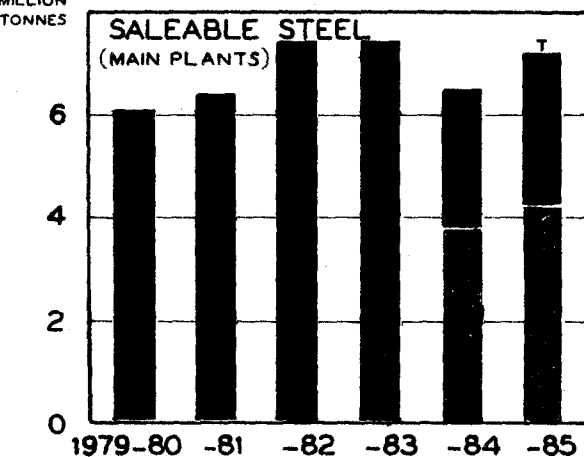
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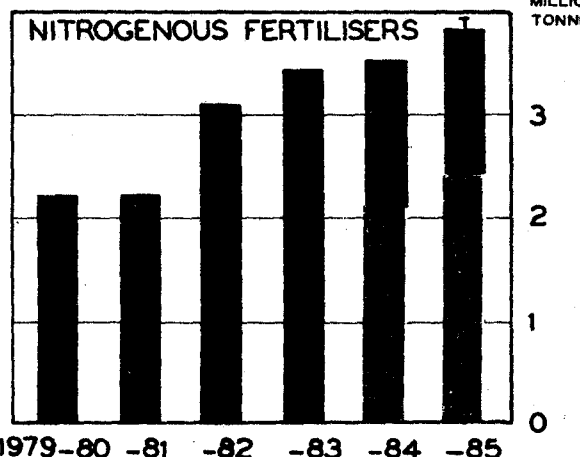
MILLION  
METERS



MILLION  
TONNES



MILLION  
TONNES



■ APR - NOV

T - TARGET

+ INCL. MIXED/BLENDED

MINISTRY OF FINANCE, ECONOMIC DIVISION.

4.9 During April—October, 1984, the groups which showed good performance in Manufacturing were : paper and paper products; chemicals and chemical products; basic metals; transport equipment; and miscellaneous manufacturing industries. Important industries where production declined were : food manufacturing; beverages; metal products (except machinery and transport equipment); footwear and other wearing apparel, etc.

4.10 Analysis on the basis of use-based classification of selected industries shows that all groups, namely basic goods, capital goods, intermediate goods and consumer goods, have registered increases in production in 1984-85 (first seven months). Only the subgroup of consumer non-durables registered a marginal decline of 0.5 per cent. Basic and consumer durable industries recorded significant increases in production of 13.7 per cent and 12.2 per cent respectively. Production of capital goods and intermediate industries increased by 7.4 per cent and 8.1 per cent respectively.

4.11 The engineering industry as a whole has shown a remarkable increase in production of 8.3 per cent during April—October, 1984. Barring one, all the constituent groups of engineering industry have shown positive growth. In the basic metal group, industries which have recorded high growth rates are : saleable steel (main plants) (10.1 per cent); aluminium (35.6 per cent); copper cathode (18.1 per cent); and aluminium sheets and circles (22.7 per cent). Production of saleable steel (main plants) had suffered a decline of 12.3 per cent in 1983-84 mainly because of slack demand and mis-match between production pattern and market demand. The reorientation of the product-mix towards sophisticated varieties of steel like LPG cylinder sheets, etc., has helped to bring about a recovery in the production of steel in 1984-85.

4.12 Production of non-ferrous metals like aluminium, copper and lead, picked up because of better availability of power. The public sector aluminium unit, BALCO, has been able to achieve near-full capacity utilisation with all its smelters fully commissioned. The output of zinc, however, recorded a decline of 7.6 per cent during the current year mainly because of power shortage in Rajasthan and high salinity of water in Kerala. Production in other industries in the basic metals group such as steel casting and CI spun pipes, suffered a decline.

4.13 The machinery (except electrical machinery) recorded a 5.2 per cent increase in production during April—October, 1984. Important industries in this group which registered positive growth were : diesel engines (stat.) (6.3 per cent); cement machinery (25.6 per cent); air/gas compressors (21.0 per cent); ball and roller bearings (13.3 per cent); machine tools (9.4 per cent); agricultural tractors (14.2 per cent); and domestic refrigerators (14.6 per cent). Industries in this group which registered decline in production include sugar machinery, earth-moving equipment, power driven pumps, road rollers and sewing machines. Production of these industries seems to have been affected by demand constraint. Substantial addition envisaged in power generating capacity in the coming years, intensification of oil exploration, establishment of gas-based fertilizer plants and encouragement being given to core sector industries to invest in captive power generation should help to increase demand for indigenous capital goods industries.

4.14 Production of electrical machinery, apparatus, appliances and supplies has recorded an increase of 6.4 per cent during April—October, 1984. Among the industries contributing to this increase the notable ones are : power transformers (15.0 per cent); electric lamps (6.0 per cent); winding wires (5.9 per cent); VIR/PVC (25.4 per cent); wire rods for ACSR (120.3 per cent); radio receivers (11.4 per cent); and dry cells (25.1 per cent). Electric motors, motor starters and contactors, and rubber and plastic accessories recorded decline in production.

4.15 The index of transport equipment group increased by as much as 18.4 per cent in April—October, 1984. Important items of which production has increased are : commercial vehicles (6.4 per cent); cars (40.8 per cent); motor cycles (13.3 per cent); scooters (16.9 per cent); and mopeds/scooterettes (15.2 per cent). Broad banding of licensed capacity for automobiles in terms of four wheelers and two wheelers may help improve capacity utilisation and production of automobiles. The output of railway wagons has declined sharply by 13.2 per cent because of reduced procurement by railways.

4.16 The electronics industry has made significant progress in the last decade, particularly in items relating to defence, TV and telecommunications, industrial electronics and computers. The production of the electronics industry has grown at an average rate of

about 20 per cent during the last couple of years. The value of electronic items produced in India was Rs. 925 crores in 1981-82, increased to Rs. 1,445 crores in 1983-84, and is expected to reach Rs. 2,115 crores in 1984-85.

4.17 To facilitate further growth of the electronics industry, including consumer electronics, a package of promotional measures was announced in August, 1983. It was designed to encourage enterprise, reduce input costs and quickly attain economies of scale. This package consists essentially of a set of liberalised policies with regard to licensing and creation of capacities, reduction in input costs to the industry through a rationalisation of duty structure on inputs and expansion of Government units in the critical and strategic cases.

4.18 A new computer policy was announced on November 19, 1984 aimed at fostering the production of computers based on the latest technology at prices comparable with international levels and with progressively increasing indigenous content. The Policy also aims at promoting use of computers in the areas where these can catalyse long term gains in efficiency of production and information processing.

4.19 Production of cement has steadily increased since the introduction of the policy of partial de-control of cement in February, 1982. In 1984-85 (April—October) cement production increased by 13.1 per cent in continuation of an increase of 15.1 per cent in 1983-84. In spite of the power cuts in the important cement producing States of Karnataka, Himachal Pradesh and Bihar, cement production was maintained at a higher level. This was facilitated by progressive adoption of semi-dry or dry processes (in preference to the wet process) and the establishment of captive power generators by many of the cement plants. However, supply of poor quality coal continues to constrain higher growth of cement production. In order to compensate the cement manufacturers for cost escalations due to increases in prices of coal, power, higher wages, etc., Government allowed an increase of Rs. 40 per tonne in the cement retention price in July, 1984, while the levy quota was also marginally reduced. Due to the easy availability of cement on account of high domestic production, import of cement this year has fallen substantially. There is a need for investigating possibilities for reducing cement costs to consumers through the introduction of bulk transport and distribution in appropriate cases.

4.20 In the textile products group, the main component viz., cotton cloth (mill sector) recorded a decline of 4.2 per cent this year (April—October, 1984), in sharp contrast to the increase of 12.2 per cent during 1983-84. The large increase in production in 1983-84 reflected the recovery after the prolonged strike in Bombay mills, which had affected production since January, 1982. Apart from this, high prices of cotton early in the current year adversely affected production in the mill sector in 1984-85. Also, high production costs due to old, worn out machinery has weakened the organised sector. To facilitate modernisation various incentives are being provided to the industry, e.g., reduction in customs duty on certain sophisticated types of textile machinery (but linked with export obligation), a cut in the interest rate on soft-loans, and liberalisation of norms for assessing credit requirements of the industry. This, along with adequate supply of raw materials and concessions given in excise duty on certain varieties of blended fabrics in 1984-85, should help to boost production. A high level committee has also been set up to review the present situation in the textile industry, examine the existing industrial licensing and trade policies, and suggest measures to promote further modernisation and balanced development of the industry.

4.21 The jute industry has continued to suffer from chronic problems. In 1983-84, production of jute goods declined from a level of 13.38 lakh tonnes in 1982-83 to 10.89 lakh tonnes, largely as a result of the long strike of workers in jute mills in West Bengal. Production also suffered because of low raw jute output in 1982-83 and 1983-84. During April—October, 1984, production of jute goods increased to 7.88 lakh tonnes against 7.01 lakh tonnes in the same period last year. Raw jute production, however, continues to stagnate and there has been an abnormal rise in raw jute prices. The resulting increase in cost of jute goods is sapping the competitiveness of Indian jute industry. During the current year, India imported about 2 lakh bales of raw jute from Bangladesh through the Jute Corporation of India and some quantity for consumption in 100 per cent export-oriented units. A significant increase in the production of raw jute would be needed to enable the industry to improve its capacity utilisation and to augment export earnings.

4.22 The paper and paper products group, which recorded a decline of 0.9 per cent during 1983-84, has shown good performance this year. Production of

paper and paper board had suffered a decline of 1.9 per cent last year attributable mainly to the closure of a few large mills, weak markets for some varieties, and inadequate and irregular supplies of inputs, such as coal and cellulosic raw materials. Various fiscal concessions were granted in the 1984-85 Budget to revive the industry. Production of paper and paper board increased by as much as 12.8 per cent and that of newsprint by 21.4 per cent during April—October, 1984, over the corresponding period of 1983. Fast depletion of forest resources has made it imperative to rely more on alternate sources of raw materials like bagasse, agricultural residue, etc., in the production of paper, and fiscal incentives have already been provided for this purpose. In this context the problem of providing alternative fuel to the sugar industry has to be overcome in order that bagasse can be made available in larger quantity for use in the manufacture of paper.

4.23 The rubber products group has performed well this year and its production registered an increase of 6.7 per cent during April—October, 1984. While there is a marginal decline in rubber footwear, production of auto tyres and bicycle tyres increased by 14.7 per cent and 9.3 per cent respectively. This was on top of increases of 12.0 per cent and 20.5 per cent in 1983-84. Automobile tyres account for more than half of the total industrial consumption of raw rubber. For sustaining the growth in demand for automobile tyres, a reduction in costs is essential. In order to ensure adequate supply of the basic raw material, imports of rubber have been arranged through the State Trading Corporation from year to year. In the long term interest of the industry, however, it is necessary to considerably step-up the domestic production of raw rubber, natural as well as synthetic.

4.24 The index of chemicals and chemical products registered a growth of 11.1 per cent in April—October, 1984 compared with 6.2 per cent in the year 1983-84. Nitrogenous and phosphatic fertilisers which had experienced low growth rates in 1983-84 (1.8 per cent and 6.9 per cent respectively) have shown remarkable growth—14.6 per cent and 29.0 per cent—during 1984-85 (April—October). Improvement in power supply and better capacity utilisation have been the main factors underlying the impressive increase in the production this year. The other major items which have contributed to the large increase in the production of chemicals and chemical products

this year are : caustic soda (10.3 per cent); soda ash (9.9 per cent); and PVC resin (30.5 per cent).

4.25 Production of sugar, which had peaked at 8.4 million tonnes during 1981-82 (sugar year : October—September) and remained at about 8.2 million tonnes in 1982-83, declined to 5.9 million tonnes in 1983-84, mainly because of a poor sugarcane crop. Sugar mills, which were experiencing financial difficulty due to large stocks at the end of 1982-83, were somewhat handicapped in competing with khandsari and gur manufacturers for obtaining supplies of sugarcane during 1983-84 season. The large stocks with the sugar mills acted as a cushion for domestic prices during 1983-84. Since sugar consumption grew while production fell, recourse was had to imports to maintain stocks required for supporting domestic releases.

#### **Production Trends in the Public Sector**

4.26 In 1983-84, the production of selected central public sector undertakings recorded an increase of 6.6 per cent which was higher than the general industrial growth rate for the year, but lower than the growth of 8.9 per cent recorded by these undertakings in the previous year. Some of the important public sector industries whose performance pulled down the overall growth rate of the public sector were : saleable steel, manganese ore, iron ore and phosphatic fertilizers. Industries which recorded increases in production were : aluminium; crude petroleum; zinc; coal; and cement. The decline in steel production was attributable, largely to a mismatch between patterns of production and market demand. Weak demand from the users industry and from importing countries affected the production of iron ore adversely. Shortages in power, coal and other inputs together with poor quality of coal, inhibited a larger growth in the output of cement. In the coal sector, however, improved management practices, congenial industrial relations and reduced absenteeism resulted in better performance over the previous year.

4.27 The performance of public sector enterprises showed some improvement during April—December, 1984-85. The output of selected public sector undertakings during the period recorded a growth of 8 per cent over that of the corresponding period last year. There has been a recovery in steel and better performance in cement, coal, lignite, phosphatic

fertilizer and some non-ferrous metals like aluminium, lead and copper. However, the increases in production do not seem to have been adequately reflected in improvement in the profitability of the companies.

4.28 Several measures have been initiated to improve the performance of the public sector undertakings. These include expeditious implementation of modernisation schemes in the steel sector and ensuring regular supply of inputs, especially power, and coal, and the better maintenance of plant and equipment. The process of modernising NTC textile mills has also been speeded up. Their production plans are being reoriented in the light of changing consumer preference. During the year, the Government appointed a high level committee to review the working of the public sector enterprises and suggest changes in their organisation and policies. The committee has since submitted its report which is under the consideration of the Government.

#### Small Scale Industries

4.29 The estimated value of production in small scale industries (at 1979-80 prices) during 1983-84, was Rs. 30,415 crores as compared with Rs. 27,700 crores during 1982-83, signifying an increase of 9.8 per cent. Employment in this sector also increased to a little over 84 lakh persons in 1983-84 from 79 lakhs in 1982-83, an increase of over 6 per cent. The value of exports from the small scale sector increased by 11.9 per cent to Rs. 2,350 crores in 1983-84. A target of Rs. 32,873 crores for production and 89 lakh persons for employment is envisaged for 1984-85.

4.30 The programme of modernisation of selected small scale units has been further intensified. Statewise Industry-Status Reports and modernisation guides have been prepared and industrial clinics and workshops are being conducted. IDBI has formulated a soft loan scheme in order to facilitate technology improvement in the small scale units.

4.31 A scheme of national awards for entrepreneurs in the small scale sector has been introduced. The National Institute of Entrepreneurship of Small Business Development was established in July, 1983, as an apex organisation, to encourage the growth of entrepreneurship in small industry.

4.32 The progress of the scheme for providing self-employment to the educated unemployed youth, which was launched in 1983-84, has surpassed expectations.

According to available data, 4.28 lakh applications under the scheme were recommended to the banks by District Industry Centres and about 2.42 lakh applicants were granted loans amounting to Rs. 401.54 crores. The scheme was continued during 1984-85.

4.33 As mentioned in last years' Survey, the tremendous growth in output which has taken place in the small scale sector in recent years is not adequately reflected in the index of industrial production. In order to ensure that the industrial production index provides a full picture of the industrial growth in the country, efforts are being made to incorporate suitably the production in the small scale sector in the revised index of industrial production with base 1980-81, which is likely to be brought out in the near future.

#### Industrial Relations

4.34 The number of mandays lost due to strikes and lock-outs during 1983-84, was 34.67 million as against 33.17 million in 1982-83. During April-September, 1984-85 the number of mandays lost was 14.74 million, substantially lower than the loss recorded during the comparable period of last year (16.76 million, excluding the Bombay strike).

TABLE 4.2

*Mandays lost on account of strikes & lock-outs*

Quarter	(In Million)		
	1982-83*	1983-84*	1984-85*
I . . . . .	9.51	7.85	9.17
II . . . . .	8.10	8.91	5.57
III . . . . .	7.70	7.03	..
IV . . . . .	7.86	10.88	..
TOTAL . . . . .	33.17**	33.67**	..

\*Provisional.

\*\*Excluding mandays lost due to textile strike in Bombay.

4.35 Since the end of the Bombay textile strike, there has been a remarkable improvement in industrial relations. Only two major strikes took place during 1983-84. In one case, the workers in jute industry in West Bengal went on strike in January, 1984. As a result of efforts of the Government, an industry-wide tripartite settlement was arrived at, following which the strike was called off in early April, 1984. The other major strike was in the port sector starting in the

middle of March, 1984. Following a negotiated settlement, the strike was called off in early April, 1984. However, there were sectional and lightening stoppages of work, absenteeism and go-slows, which hampered production in some important sectors like coal mining. In the current financial year, industrial relations have been particularly cordial as evidenced by the substantial fall in man-days lost during April—September, 1984-85, as compared to the preceding year.

4.36 The Industrial Dispute (Amendment) Acts of 1982 and 1984 came into effect since the middle of August, 1984. Amendments have been made in the provisions relating to lay-off, retrenchment and closure. Provision has been made for government enquiry before taking a decision, after giving a reasonable opportunity of being heard to the employer, workman and others concerned. The reason for refusal of permission for closure, lay-off, etc., will be recorded and communicated to the applicant. If, however, no reply is received within 60 days, the employer may assume that permission has been granted. Provision also exists for reviewing government order, either *suo motu* or on the receipt of application from the party, or the government can refer the matter for adjudication. In such cases the tribunal has to pass the order within 30 days.

4.37 The tripartite consultative machinery which advises the government in evolving principles and policies in the labour field, is being strengthened with activation of its constituent tripartite committees, viz., the Indian Labour Conference, the Standing Labour Committee and the Industrial Committees. The Industrial Committees on cotton textiles, engineering industry, plantation and chemicals have since been reconstituted. Industrial Committees have been set up also for coal mining, cement, tanneries and leather goods manufacturers, mines other than coal, and building and construction.

### **Industrial Sickness**

4.38 The incidence of industrial sickness has continued to increase. The number of large sick units having outstanding bank credit of Rs. 1 crore or more has increased to 463 at the end of June 1983, from 435 as at the end of June, 1982. The outstanding credit to these units has also risen to Rs. 1,913 crores at the end of June, 1983 from Rs. 1,729 crores a year ago.

4.39 The early warning system of detecting sickness at the incipient stage has been strengthened. The guidelines for nominee directors have been revised to make their role more effective in apprising the respective financial institutions of the performance of the units, including creeping sickness, if any. Viability studies have been undertaken to identify the sick units which could be eventually restored to health with additional financial aid on liberal and easy terms. Of the 463 sick units, viability studies of 409 have been completed, and, of these, 345 were considered potentially viable. Package nursing programmes have been worked out for 248 potentially viable units, and additional assistance has been extended to them.

4.40 At the beginning of January, 1984, 47 taken-over industrial undertakings were being managed by the Government under the provisions of the Industries (Development and Regulation) Act, 1951. Of these 17 units have since been nationalised by the Centre/State Governments. No new industrial unit was taken-over during 1983-84.

4.41 Solutions have to be found to the problem of widespread sickness in Indian industry. Our past experience shows that ad-hoc remedies and open-ended commitments to keep the units alive have only aggravated the situation and failed to provide a long run solution to the problem. In a majority of cases sickness has resulted from managerial weaknesses or failure on the part of the management to take timely action to adapt the production pattern and methods to the changing environment. It is essential that industry pays adequate attention to modernisation and technological upgradation to ward off industrial sickness. There must be a greater stake of the management in efficiently running the units. A heavy responsibility also rests on the financial and banking system for ensuring that sickness is detected early and necessary measures are taken to minimise losses. A viable policy for dealing with the sick units must provide for orderly closure of the units which have no chance of survival, while at the same time providing adequate protection of workers' interests.

### **Industrial Investment**

4.42 All available indicators of industrial investment point to buoyancy in the industrial investment climate. Gross domestic capital formation during 1983-84 in the registered manufacturing sector (at



1970-71 prices) was Rs. 2,599 crores, representing an increase of 4.3 per cent over the previous year's capital formation of Rs. 2,493 crores.

4.43 Consents given by the Controller of Capital Issues for raising capital by non-government companies, increased to Rs. 1,024 crores in 1983-84 from Rs. 893 crores in 1982-83, showing an increase of 14.7 per cent. Actual capital issued aggregated to Rs. 926 crores, showing an increase of 26.5 per cent. Consents given for capital issues increased sharply in 1984-85. During the first ten months (April—January, 1984-85) the consents totalled Rs. 1,681 crores, showing an increase of 86.6 per cent over the corresponding ten months of 1983-84. The proportion of debentures in the capital issues has been steadily increasing in recent years. Consents for debenture issues constituted only 16.3 per cent of the total approvals in 1980-81. In

1983-84 the proportion increased to 59.5 per cent and remained high during the first ten months of 1984-85 also. The guidelines for debenture issues have been further liberalised in order to encourage companies to mobilise resources from the capital market on an even larger scale.

4.44 There has been a further spurt in the total amount of term loans sanctioned and disbursed by the financial institutions. Assistance sanctioned by all the specialised financial institutions during 1983-84, aggregated to Rs. 4,054 crores, showing an increase of 25.9 per cent over 1982-83. The disbursement of assistance was also higher by 21.4 per cent and stood at Rs. 2,864 crores. In the first half of 1984-85, there has been a further remarkable increase in both term loans sanctioned and disbursed. The increase in the sanctions for term loans has been of the order of 85 per cent while that of disbursement, 117.5 per cent.

TABLE 4.3

*Trends in Industrial finance*

(Rs. crores)

Sl. No.	Item	1981-82	1982-83	1983-84	April—January		Percentage change over the preceding year		
					1983-84	1984-85	1982-83	1983-84	1984-85 (April—January)
1	2	3	4	5	6	7	8	9	10
1.	Private capital raised from capital market								
(a)	Approvals granted by CCI	778	893	1024	901	1681	14.8	14.7	86.6
(b)	Capital issued	529	732	926	N.A.	N.A.	38.3	26.5	..
2.	Assistance sanctioned and disbursed by Financial Institutions <sup>£</sup>								
(a)	Sanctions	2826	3220	4054	1647*	3047*	13.9	25.9	85.0*
(b)	Disbursements	2060	2359	2864	1069*	2325*	14.5	21.4	117.5*

£1. Adjusted for inter-institutional flows.

2. Figures for IFCI, ICICI, IDBI, SFCs, SIDCs include guarantees.

\*1. Relate to April—September and are provisional.

2. Excluding assistance and disbursement by SFCs and SIDCs.

N.A. : Not available.

**Employment in the Organised Sector**

4.45 Growth in employment in the organised sector has been sluggish in recent years. According to quick estimates there was a marginal increase in employment in the organised sector which stood at 240.72 lakhs as at the end of June, 1984, compared with 238.64 lakhs as at the end of June, 1983. This increase took place

entirely in the public sector, in the organised private sector there was a decline.

4.46 The number of applicants on the live register of employment exchanges increased to 23.5 million at the end of September, 1984, from 21.3 million as at the end of September, 1983. During January—September, 1984 monthly average vacancies notified declined by

9.4 per cent to 62,241 from 68,661 during the corresponding period of 1983. During the same period, the average monthly placements also declined from 40,649 to 35,349.

### Industrial Policy

4.47 A number of measures have been taken in recent years towards liberalisation of industrial policy and streamlining of licensing procedures. A comprehensive Industrial Policy Statement was made by the Government in July, 1980, which outlined the socio-economic objectives of industrial policy. As noted in the Surveys of earlier years, several changes have been made in industrial licensing policy and procedures since then to facilitate expansion and creation of a competitive environment. These changes include schemes for re-endorsement of capacity expansion and exemption from MRTP clearance for investment in backward regions/districts and high priority industries. The committee appointed by Government in January, 1984, to examine the principles of a possible shift from physical to financial controls submitted its first report in January, 1985. The report, which covers policy on industrial licensing and related aspects of the Monopolies and Restrictive Trade Practices Act, is under the Government's consideration.

4.48 Keeping in view the urgency of finding alternate sources of energy, investment in the production of equipment for exploitation of sources of energy like solar power, wind power, bio-mass, geo-thermal energy, tidal power and sea power has been delicensed. Investment in equipment for mini and micro hydel systems upto 5,000 KW and electrical vehicles has also been delicensed.

4.49 The Government has recently announced the significant policy initiative of 'broad banding'—that is classification under broad categories—of 2-wheelers, 4-wheelers, tractors, as well as machinery for fertilisers, pharmaceuticals, and paper and pulp, etc., into generic categories. Thus, to take one example, cars, jeeps, light, medium and heavy commercial vehicles, etc., have been clubbed together into the generic category of "four wheelers". This measure is intended to enable the manufacturers to change their product-mix rapidly to match changes in demand patterns without incurring procedural delay and other costs associated with seeking amendments to their industrial licences. The manufacturing units will also be in a position to improve utilisation of installed capacities by diversification of their product range.

### Control of Industrial Pollution

4.50 Letters of intent already incorporate certain conditions designed to check and prevent air, water and soil pollution arising out of industrial projects. Further, in respect of 20 highly polluting industries like paper, pesticides/insecticides, fertilisers, leather tanning, rayon, plastics, cement, etc., it is not only necessary to instal suitable pollution control equipment but also to properly identify the site and location of the project where a particular industrial unit would be set up. For these industries, the letter of intent would be converted into an industrial licence only after three conditions are fulfilled. Firstly, the State Director of Industries has to confirm that the site of the project has been approved from the environmental angle by the competent State authority. Secondly the entrepreneur should give an undertaking to both State and Central Government that he will instal the appropriate equipment and implement the prescribed measures for the prevention and control of pollution. Lastly, the concerned State Pollution Control Board should certify that the proposal meets with the environmental requirements that the equipment installed or proposed to be installed are adequate and appropriate for the requirements.

### Outlook

4.51 In the first eight months of 1984-85, the performance of the industrial sector has been somewhat better than in the previous year. The overall industrial growth rate in 1984-85 is expected to be nearly 7 per cent. On this basis, the average growth rate during the Sixth Plan would work out to 5.8 per cent. This falls significantly short of the growth rate stipulated in the Plan. Even allowing for the fact that the present index does not adequately reflect the real growth in the industrial sector (as some of the new and fast growing industries like electronics, petrochemicals and new drugs, are not covered by the present index or have negligible weight in the index), the fact remains that our industrial performance has been unsatisfactory and a large area of the industrial sector has been facing chronic structural problems.

4.52 The disappointing performance of Indian industry is not limited to the Sixth Plan period. It was also a feature of the preceding fifteen years. The explanation for this prolonged period of sluggish growth is complex. A number of factors have combined to result in the low productivity of resources in industry, including, protection in various forms, inappropriate choices of scale and technology, poor

rates of capacity utilisation, mismatches between capacity and demand, and recurrent episodes of severe infrastructural constraints, especially with respect to power.

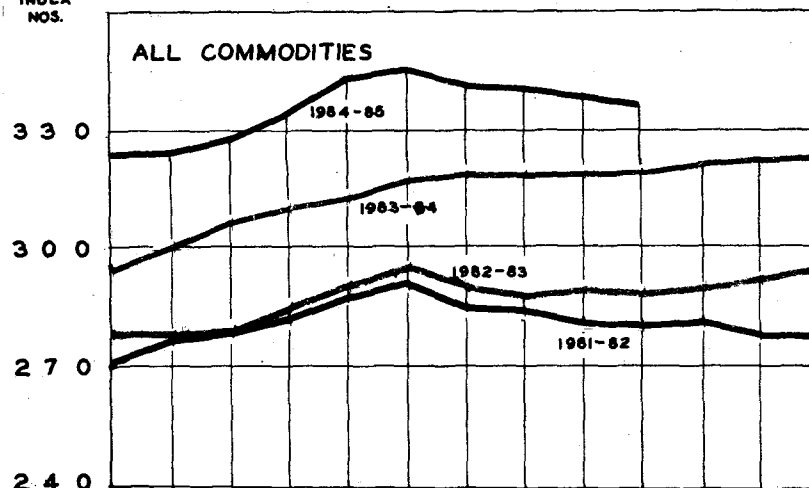
4.53 What is clear is that if the economy is to enjoy sustained growth at annual rates of 5 per cent or higher, then the long-term growth of industry

must accelerate to 8 or 9 per cent a year. An acceleration of this order will require major improvements in many dimensions. The efficiency of industrial enterprises will have to improve markedly. The framework of industrial policy may also require changes, but such reforms will only yield expected results if industry responds with dynamism and responsibility.

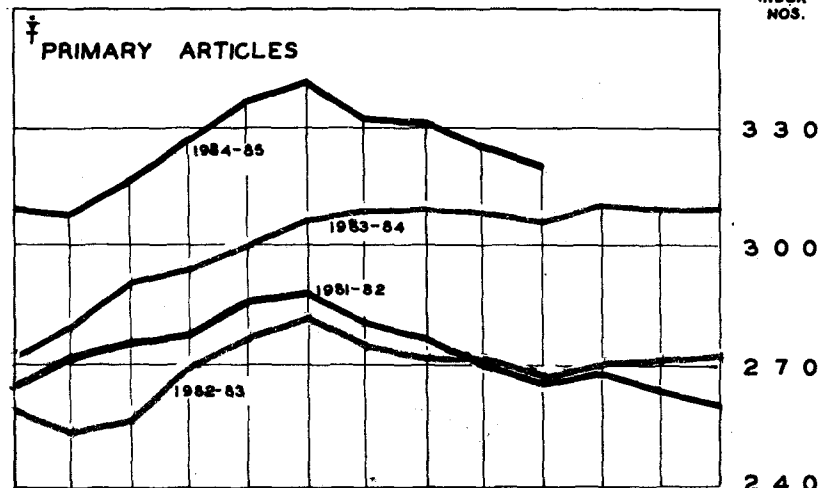
# WHOLESALE PRICES

(1970-71=100)

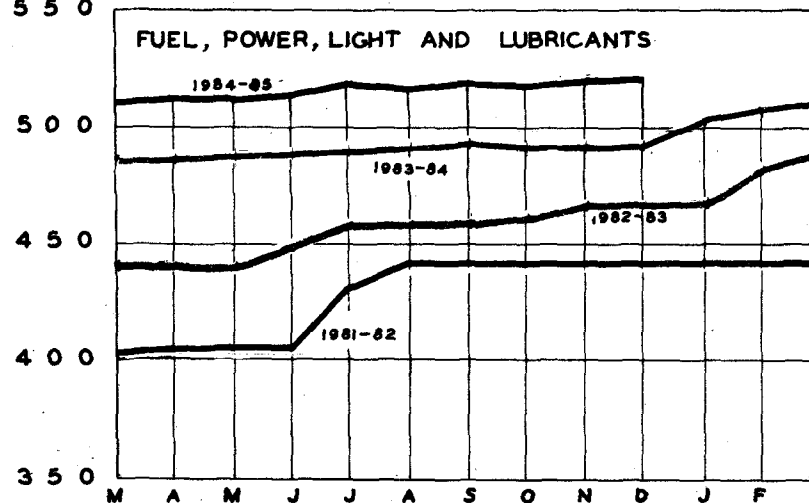
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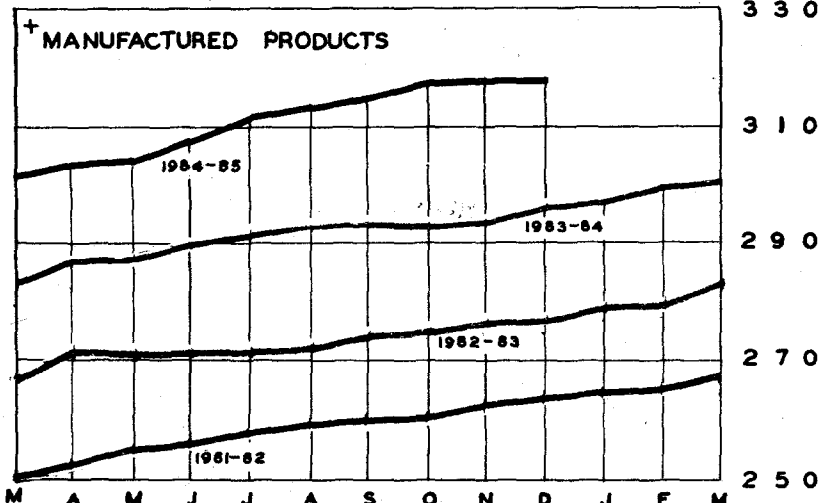
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550



330



MINISTRY OF FINANCE, ECONOMIC DIVISION.

‡ INCLUDES SUGAR, KHANDSARI, GUR & EDIBLE OILS  
+ EXCLUDES " " " " "