

CHAPTER 4

INDUSTRIAL PERFORMANCE

In order to ensure that the Index of Industrial Production is an accurate and genuinely representative measure of industrial growth, the base and coverage of the index is updated over a period of time. Preliminary results of the comprehensive exercise to revise the base from 1970 to 1980-81 indicate that the actual industrial growth rate over the last two years may be significantly higher than recorded by the 1970 base Index (Table 4.1). The Index of Industrial Production (IIP, Base 1980-81=100) shows a growth rate for the years 1984-85 and 1985-86 of around 8 to 9 per cent per year and, although full details are not yet available for all industries for the current year, the indications are that a healthy growth rate is being maintained.

TABLE 4.1

Industrial Production Growth rates

(Percentages)

Year	New Series (Base 1980-81=100)*	Existing Series (Base 1970=100)
1981-82	9.3	8.6
1982-83	3.2	3.9
1983-84	6.7	5.4
1984-85	8.6	6.8
1985-86	8.7	6.3

* Tentative

4.2 The improved 1980-81 index tends to confirm the observation in last year's Economic Survey that if new industries once taken into account, the industrial growth rates are likely to be higher. Thus, it was pointed out that the "industrial structure in India has undergone major changes since 1970. Many of the present critical growth areas like chemicals, petro-chemicals, garments, gem-cutting and electronics do not have a commensurate weight in the current index base 1970=100, (some of them do not find any place at all), while many of the traditional (but currently stagnant) industries, such as mill sector cotton textiles, command disproportionately high weights in relation to their share in the current

industrial production". An important source of data corroborating the finding that the 1970 index tends to under-estimate industrial growth, was the relevant figures reported by the Annual Survey of Industries (ASI). The ASI, which has a much wider coverage in the manufacturing sector of industry than the IIP and does not suffer from the 'base problems associated with an index, has consistently tended to show a higher growth than the IIP. For the period 1974-75 to 1982-83 the compound annual growth rate in the manufacturing sector according to the ASI was 8.0 per cent while according to the IIP it was only 4.4 per cent.

TABLE 4.2

Performance in Manufacturing Sector: ASI and IIP
(Percentages)

(Base : 1973-74=100)

Year	Annual Survey of Industries	Index of Indus- trial Production
1974-75	5.0	1.8
1975-76	10.3	4.7
1976-77	10.2	10.1
1977-78	10.2	4.6
1978-79	11.3	7.6
1979-80	0.3	-2.5
1980-81	1.3	3.7
1981-82	10.8	7.5
1982-83	13.1	2.4
Annual Compound Growth Rate	8.0	4.4

Note—ASI data are not yet available for the period beyond 1982-83 and as there was no survey in 1972-73 the above series starts in 1973-74.

4.3 Of the three main components of overall industrial performance, the manufacturing sector has shown the most significant acceleration (Table 4.3). The weight of this sector has declined from 81.08 in the existing index to 77.11 in the 1980-81 series, while the remaining weight in the index is divided almost

equally between mining and quarrying (up from 9.69 to 11.46) and electricity (up from 9.23 to 11.43). The significant increase in the growth rate of the manufacturing sector has occurred during the last two years while in the mining sector the index of industrial production (1980-81) shows a higher growth rate for most of the eighties, averaging a compound annual growth rate of 11.0 per cent (compared to 10.1 per cent according to the 1970 base index).

Growth Rates in Major Sectors of Industry

Year	(Percentages)					
	Mining		Manufacturing		Electricity	
	Base 1980-81	Base 1970	Base 1980-81	Base 1970	Base 1980-81	Base 1970
1981-82	17.7	15.7	7.9	7.5	10.2	10.2
1982-83	12.4	11.4	1.4	2.4	5.7	5.7
1983-84	11.7	11.0	5.7	5.7	7.6	7.7
1984-85	8.8	8.0	8.0	5.7	12.0	12.0
1985-86	4.2	4.7	9.7	6.1	8.5	8.5

4.4 A number of industrial policy initiatives were taken during the year which were in continuation of the basic trend over the last few years of simplifying procedures and removing bottlenecks to technology upgradation. The basic thrust of industrial policy has been growth oriented in order to boost production and generate employment with particular focus on small scale industry and the manufacturing sector. Schemes of broad-banding and capacity re-endorsement were introduced to increase output and improve capacity utilisation. Several other policy measures were taken to encourage investment and expansion of existing units to levels that ensure economies of scale.

4.5 Another important source of growth has been the small scale sector for which 49 items, generally those contributing at least 25 per cent to the total production of the relevant items in the base year, are to be included in the 1980-81 index. So far regular monthly production data for 18 items is being collected by the Development Commissioner, Small Scale Industries (DC-SSI) and will gradually be expanded to include the remaining items. The introduction of information on the growth of small scale industries enlarges the scope of the IIP to cover a dynamic and major employment oriented sector of the economy.

4.6 In the process of growth and increased competitiveness of Indian industry the emergence of sectors in which investment and output exceed demand in the short run is a natural consequence. These problems of adjustment to changing market conditions result in substantial price undercutting and a squeeze on profits in certain sectors of industry as firms establish their presence in the market. This interim period in which rates of return are lower as certain industries face a more competitive environment may also create a bearish tendency on the stock market, but should be viewed as a necessary process of adjustment to a stronger and more quality-conscious industrial base in the country.

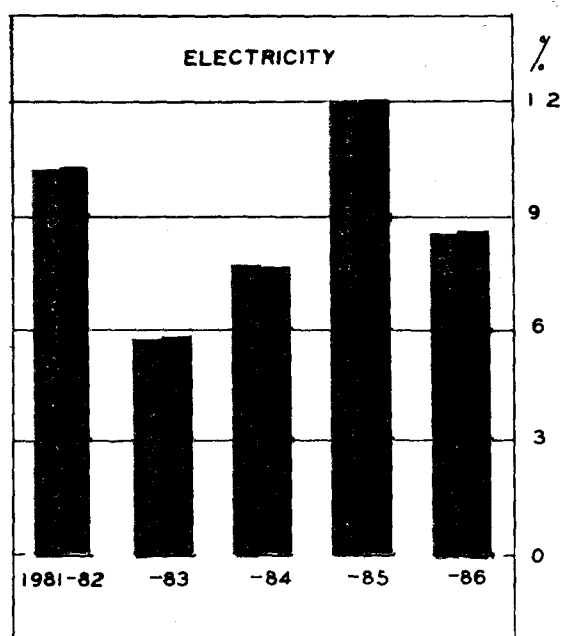
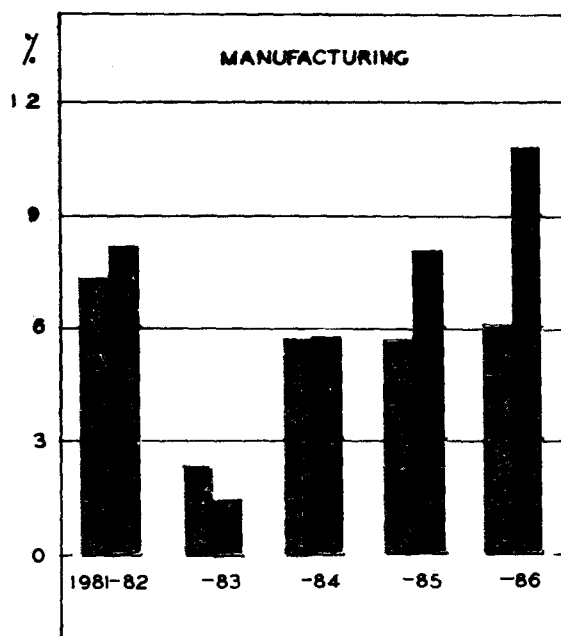
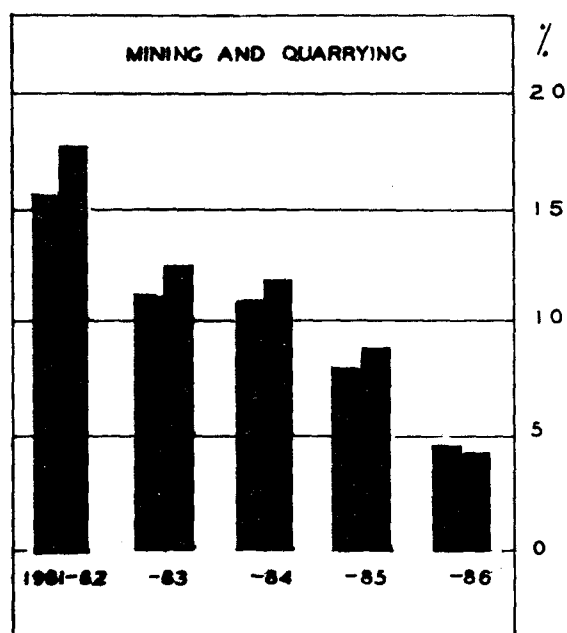
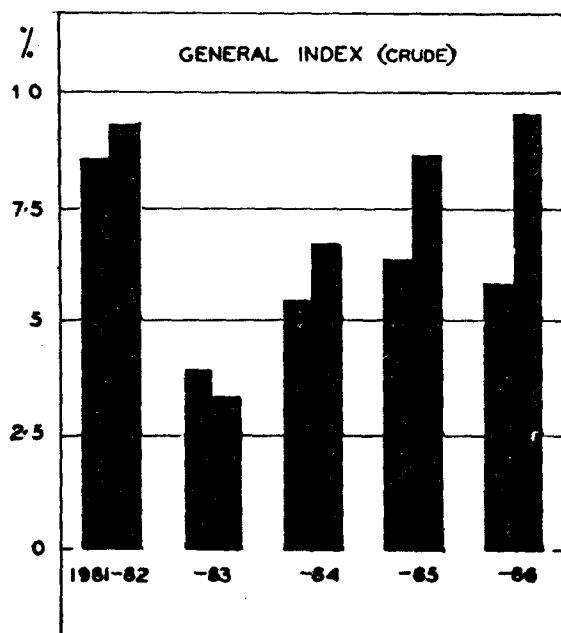
4.7 This should, however, be distinguished from the problem of sickness in industry which has now become endemic. Sickness affects both traditional industries like jute and textiles because of lack of investment in modernisation, as well as newer units because of bad management, poor technology and insufficient demand. In the past, most units tended to rely on borrowed capital to meet their cash losses. Since the debt incurred has to be serviced and the management's need to take remedial steps in time is reduced. This tends to hasten the process towards sickness. In order to correct this situation the Government introduced a legislation in 1986, to ensure that after the entire net-worth (share-capital plus reserves) is exhausted and the unit has been making cash losses, the unit would have to apply immediately to a new Board for Industrial and Financial Reconstruction (BIFR). This Board has effective powers, *inter alia*, to reconstruct the unit, change the management or merge the unit with a suitable existing enterprise. Another provision in the new Act is that as soon as 50 per cent of the net-worth of the unit is exhausted, the management of the unit would have to seek a fresh mandate from its shareholders to continue in management. These provisions will ensure that sickness is detected early and remedial action through induction of higher equity by shareholders is taken without delay. This contrasts with the present situation where the net-worth of most sick units has been eroded several times over and accumulated losses have been financed through borrowed capital from banks and institutions.

Industrial Production

4.8 On the basis of the index of industrial production (base 1970=100) industrial production increased by 6.3 per cent during 1985-86 compared with 6.8 per cent during 1984-85. The increase in

GROWTH RATES IN INDEX OF INDUSTRIAL PRODUCTION

BASE { 1980-81 ----
1970 ----



MINISTRY OF FINANCE, ECONOMIC DIVISION.

production during 1985-86 was a result of 8.5 per cent growth in electricity generation, 6.1 per cent in manufacturing and 4.7 per cent in the mining and quarrying sector.

4.9 During April—August, 1986, industrial production recorded an increase of 5.6 per cent over the corresponding period of the preceding year. Notable growth of 7.1 per cent was achieved in the mining and quarrying sector and 9.6 per cent in electricity generation. However, the growth in the manufacturing sector has decelerated to 4.6 per cent.

4.10 In the manufacturing sector 12 out of 16 industry groups showed a positive growth rate during the first five months of this year over the corresponding period of previous year. Industry groups where notable growth rates were achieved are : beverages, rubber, chemicals and chemical products, metal products and transport equipment.

4.11 However, the growth rates based on the 1970 Index of Industrial Production do not correctly reflect the actual growth in the industrial sector. The index does not reflect the wide base of Indian industry that has developed over the last decade and a half. Moreover, it does not represent the small-scale sector which contributes significantly to the overall industrial output and employment. Many relatively new industries and industrial products which have shown a high growth in recent years, namely, electronics, petrochemicals, garments, gem cutting, etc, do not have adequate representation in the weighting diagram of the existing series of the index. In contrast, many traditional slow growing industries e.g. cotton textiles, command unduly high weight in the index.

4.12 To overcome these difficulties, it was decided to update the base and develop a revised Index of Industrial Production for the preparation of which a Working Group was set up in 1978. This index is based on improved selection procedures and methodology for determining the weighting diagram, exclusion of non reporting items, inclusion of new industrial products and an appropriate representation of the small-scale sector. The 1980-81 series, is expected to become fully operational during 1987.

4.13 According to the preliminary results for 1984-85 and 1985-86, based on the new series (1980-81 base), the industrial growth profile that has emerged is distinctly different from the one indicated by the existing series, particularly in the manufacturing sec-

tor. According to the revised series of Index of Industrial Production (IIP) the overall growth of industrial production in 1984-85 was 8.6 per cent as against 6.8 per cent as per the existing series. Similarly for 1985-86, the growth rate works out to 8.7 per cent according to the new series as against 6.3 per cent under the existing series. The major contribution for the notable difference between the growth rates obtained under the two series was the significant growth achieved in the manufacturing sector, which was 8.0 per cent and 9.7 per cent respectively during 1984-85 and 1985-86 under the new series compared with the growth rate of 5.7 per cent and 6.1 per cent respectively under the existing series. The comparative picture of the respective overall and sectoral growth rates is presented in the following table :

TABLE 4.4
Growth Rates in Industrial Production
(Percentages)

Sector	Weights		1984-85		1985-86	
	1970 series	1980-81 series	1970 series	1980-81 series	1970 series	1980-81 series
General	100.00	100.00	6.8	8.6	6.3	8.7
Manufacturing	81.08	77.11	5.7	8.0	6.1	9.7
Mining & Quarrying	9.69	11.46	8.0	8.8	4.7	4.2
Electricity	9.23	11.43	12.0	12.0	8.5	8.5

4.14 The manufacturing industries which were responsible for the higher implied growth in the revised series in 1985-86 were electrical machinery (including electronics) (34.8 per cent), textile products (18.0 per cent), leather and leather products (21.1 per cent), paper and paper products (12.6 per cent), non-metallic mineral products (13.7 per cent) and miscellaneous products (24.3 per cent). Similarly, the industries responsible for higher growth during 1984-85 include jute textiles (27.1 per cent), wood and wood products (29.3 per cent), paper and paper products (20.7 per cent), leather and leather products (20.1 per cent), non-metallic mineral products (13.0 per cent), basic metal and alloy products (12.8 per cent), metal products (19.2 per cent), chemicals and chemical products (9.0 per cent), rubber, plastic and petroleum products (8.2 per cent) and miscellaneous products (17.4 per cent).

TABLE 4.5

*Trends in the Performance of Manufacturing Sector (1980-81=100)**

Industry Group	Industry	Weight	Index			%change	
			1983-84	1984-85	1985-86	1984-85	1985-86
						1983-84	1984-85
1	2	3	4	5	6	7	8
20-21	Food products	5.33	121.1	120.0	125.6	-0.9	4.7
22	Beverages, tobacco, etc.	1.57	104.5	111.7	112.1	6.9	0.4
23	Cotton textiles	12.31	100.2	102.2	110.4	2.0	8.0
25	Jute textiles	2.00	78.2	99.4	97.2	27.1	-2.2
26	Textile products	0.82	92.1	95.6	112.8	3.8	18.0
27	Wood & wood products	0.45	167.5	216.5	223.2	29.3	3.1
28	Paper & paper products	3.23	109.3	131.9	148.5	20.7	12.6
29	Leather & leather products	0.49	116.3	139.7	169.2	20.1	21.1
30	Rubber, plastic and petroleum products	4.00	136.1	147.2	153.0	8.2	3.9
31	Chemicals & chemical products	12.51	131.0	142.8	154.3	9.0	8.1
32	Non-metallic mineral products	3.00	122.5	138.4	157.3	13.0	13.7
33	Basic metal & alloy products	9.80	95.1	107.3	117.0	12.8	9.0
34	Metal products	2.29	88.1	105.0	114.7	19.2	9.2
35	Machinery & machine tools	6.24	119.6	127.6	130.2	6.7	2.0
36	Electrical machinery	5.78	143.1	148.8	200.6	4.0	34.8
37	Transport equipment	6.39	123.4	131.6	135.8	6.6	3.2
38	Miscellaneous products	0.90	104.6	122.8	152.7	17.4	24.3

*Tentative

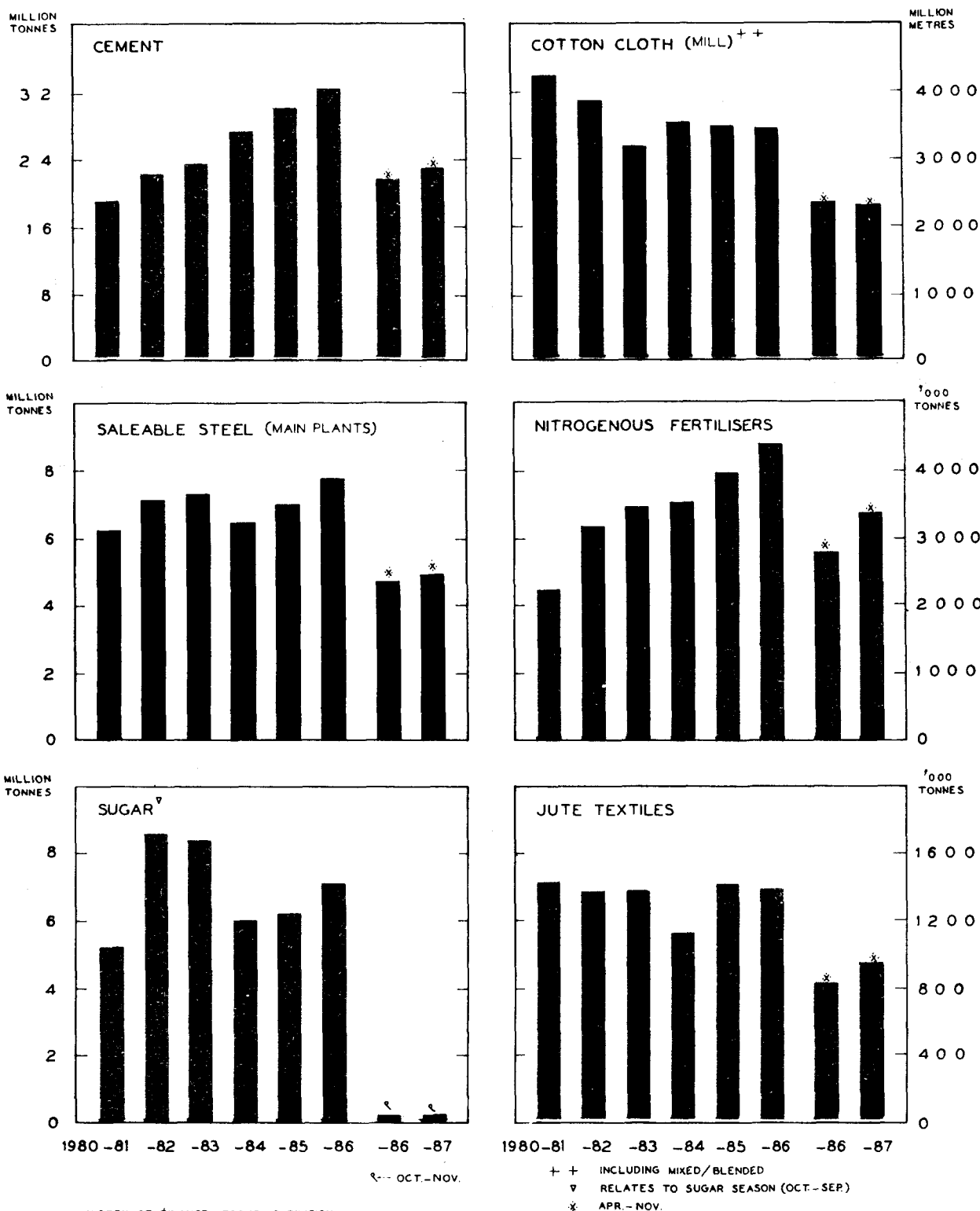
4.15 A number of industries which showed remarkable performance during 1985-86 included petroleum products (20.7 per cent), phosphatic fertilizers (12.1 per cent), saleable steel (main plants) (11.1 per cent), nitrogenous fertilizers (10.5 per cent), sugar (9.9 per cent), cement (9.5 per cent), power-transformers (7.3 per cent), cotton yarn (including mixed/blended) (6.6 per cent), commercial vehicles (6.4 per cent), tea (5.7 per cent), penicillin (3.3 per cent), railway wagons (0.8 per cent), etc. The industries which suffered from stagnation and decline in production in 1985-86 were : aluminium, vanaspati, cigarettes, streptomycin, sulphadiazine, diesel engines (veh.), agricultural tractors, jute manufactures, etc.

Policy Development and Response

4.16 Measures for rationalisation and restructuring of industrial policy were continued during the year for generating growth and development of the industrial sector of the economy. Steps were directed towards further refinement and expansion of the schemes to rationalize procedures and controls.

4.17 In March 1985, the Government had announced the delicensing of 25 broad categories of industries and 82 bulk drugs and formulations. For these industries only registration with the Secretariat for Industrial Approvals (SIA) was required and the need for licensing under the Industries (Development and Regulation) Act having been dispensed with provided that (i) such undertakings concerned do not fall within the purview of the Monopolies and Restrictive Trade Practices (MRTP) Act, or the Foreign Exchange Regulations Act, (FERA), (ii) the article of manufacture is not reserved for the small scale sector and (iii) the concerned undertaking is not located within the specified urban limits. In December, 1985, delicensing was extended to 22 out of the 27 MRTP industries exempt under Sections 21 and 22 of the MRTP Act provided that such undertakings were located in centrally declared backward areas. In July 1986, roller flour milling industry was covered under the delicensing scheme, taking into account the comfortable wheat stocks in the country. In September, 1986 delicensing was also extended to certain chemical industries. This was

PRODUCTION OF SELECTED INDUSTRIES



done to enable the chemical industries to up-date their technology and modernise their plants.

4.18 The facility of broad-banding of production allowed to selected industries with a view to secure better capacity utilisation was extended in stages and by the end of January 1986, some 28 industry groups were covered under this facility. During 1986, this facility was further extended to cover glass, steel pipes and tubes, synthetic fibres & synthetic filament yarn, electrical cables and wires, ball & roller bearings, specified categories of agricultural machinery, soya products, textile machinery and chemical industries.

4.19 In order to maximise capacity utilisation a scheme of re-endorsement of capacity was introduced in April, 1982. During 1986, this scheme was liberalised to allow undertakings which had achieved 80 per cent capacity utilisation (as against 94 per cent earlier) to avail of the facility. The re-endorsed capacity is calculated by taking the highest production achieved during any of the previous five years plus one-third thereof. The undertakings which are able to achieve capacity utilisation equal to the re-endorsed level would get further re-endorsement according to the highest production achieved in subsequent years. The scheme is effective for the Seventh Five Year Plan period.

4.20 An important initiative was to encourage realisation of economies of scale by expansion of existing installed capacities of undertakings to minimum economic levels of operation. As a matter of policy this facility was also extended to MRTP companies. Minimum economic capacities have since been specified for 73 industries under this facility.

4.21 A number of steps were taken during the last two years for the rationalisation of the provisions concerning MRTP companies. These included raising the minimum assets limit of MRTP companies from Rs. 20 crores to Rs. 100 crores, exemption of certain industries from the provisions of Sections 21 and 22 of the MRTP Act, expansion of Appendix I list, etc. Further steps were taken to exempt, subject to certain conditions, 28 Appendix I and 24 non-Appendix I industries from the provisions of Sections 21 and 22 of the MRTP Act, MRTP and FERA companies are permitted to set up capacities, provided the concerned items of manufacture are not specifically reserved for the small scale sector. Outside the Appendix I industries, more FERA and MRTP companies are permitted to operate with no export obligation in category 'A' districts and reduced export obligation of 25 per cent in category 'B' & 'C' districts. Normally, such companies are to undertake an export obligation of mini-

um of 60 per cent, if the item is not reserved for small scale industries and 75 per cent of its production if the item is so reserved. With a view to augmenting export production, licensed industrial undertakings are exempt from obtaining substantial expansion licences if the entire production, in excess of the licensed capacity is meant for exports.

Response to Policy Initiatives

4.22 The evidence suggests that the industrial investment climate in the country has vastly improved.

TABLE 4.6

Selected Indicators of Industrial Investment Climate

Particulars	Unit	1984	1985	1986
1. Foreign Collaborations Approved	Nos.	752	1024	958
Of which :				
Financial Collaborations Approved	Nos.	151	238	242
2. Foreign Investment Approvals	Rs. crores	113.00	126.86	106.90
3. Letters of Intent Issued	Nos.	1064	1457	1130
4. Industrial Licences Granted and Registrations (A+B)	Nos.	2740	4113	4167
A. Industrial Licences Granted	Nos.	905	985	618
B. Registrations				
(i) DGTD	Nos.	1915	1961	1162
(ii) SIA (Data Available from May, 1985)	Nos.	..	1167 (May— Dec. 85)	2387
5. Consents given by the Controller of Capital Issues	(a) Nos. (b) Amount (Rs. crores)	640 1800	910 2579	1171 6168
6. *Assistance Sanctioned by Financial Institutions	Rs. crores	5647.6	6613.8	3694.5
7. *Assistance Disbursed by Financial Institutions	Rs. crores	3301.6	4919.6	2388.4

*These data relate to April—March. The data against 1984 are for 1984-85 and so on. For 1986, the data pertains to the period April—September only.

4.23 Despite delicensing of a number of industries and broad-banding of some industrial products, the number of industrial licences issued has been going up substantially. The number of letters of intent granted went up from 1064 in 1984 to 1457 in 1985. During 1986, 1130 letters of intent have been issued. The number of registrations with the SIA has increased

from 1167 during 1985 to 2387 during 1986. In 1986, nearly two-third of the registrations related to projects in the backward areas. The upward trend was also visible in the number of approvals granted for foreign collaborations. During 1986, 958 foreign collaborations were approved compared with 752 in 1984. The number of approvals given by the Controller of Capital Issues went up from 640 in 1984 to 1171 in 1986. The amount of capital issues approved increased from Rs. 1800 crores in 1984 to Rs. 6168 crores in 1986—an increase over 242 per cent.

4.24 Sanctions and disbursements of assistance by term lending financial institutions have also shown a considerable increase. Sanctions by all financial institutions went up from Rs. 5647 crores in 1984-85 to Rs. 6614 crores during 1985-86. During the first half of 1986-87, total sanctions amounted to Rs. 3694 crores showing an increase of about 22 per cent over the corresponding period of 1985-86. Disbursements went up from Rs. 3502 crores in 1984-85 to Rs. 4920 crores in 1985-86. During the first half of 1986-87, disbursements reached a level of Rs. 2388 crores, thereby showing an increase of 16 per cent over the corresponding period of 1985-86.

4.25 The stock market situation continued to remain buoyant and large. The average RBI's Index of Ordinary Shares (Base 1980-81=100) for April—November 1986 at 234.6, showed a rise of 12.8 per cent over the average index of 208.0 from the corresponding period of 1985.

4.26 The policy to delicense certain industries seems to have an encouraging response. By the end of 1986, 3554 registrations had taken place in the 32 broad industry groups delicensed since March 1985. About 60 per cent of these registrations were in centrally-declared backward areas. The principal areas of registration have been roller flour grinding (27.5 per cent), electronic components (16.7 per cent), special alloys-sponge iron (6.4 per cent) and auto-ancillaries (6.3 per cent). The total value of investment associated with these registrations is about Rs. 14,352 crores, of which 34.2 per cent is in the special alloy-sponge iron industry, 20.0 per cent in the electronic components, 6.3 per cent in roller flour grinding and 5.1 per cent in auto-ancillaries and 6.1 per cent in chemical industry.

Electronics Industry

2.27 A successful thrust for modernisation and technology upgradation cannot be achieved without a substantial development of the indigenous electronics

industry. It plays a catalyst role in increasing production and productivity in key sectors of the economy like power, coal, oil, railways, communications and process industries. Keeping the important role of this industry in view, major policy initiatives were implemented to provide a major boost to electronics during the last two years.

4.28 The production in electronics industry has grown at a rate of around 40 per cent per annum during the last two years. The level of production has gone up from Rs. 1480 crores in 1983-84 to Rs. 2880 crores in 1985-86. An important factor in the remarkable growth was a significant fall in the prices of many electronics items, e.g., the prices of computers declined by over 50 per cent and of TV sets by around 10 per cent during this period.

4.29 The performance has, however, varied for different products in the electronics industry. Consumer electronics have shown remarkable growth: as against a target of Rs. 676 crores, the production in 1985-86 was around Rs. 1100 crores, the major contribution being that of TVs and radio sets. In contrast, the performance of the communication electronics sector was not wholly satisfactory, the actual production of Rs. 635 crores was in fact lower than the target of Rs. 830 crores. This was due mainly to slippages in the constituent sectors including mass-communications, tele-communications, aero-space and defence. The level of production of components of Rs. 440 crores in 1985-86, however, was as per targets. The component producing sub-sector of the industry feeds other segments of the electronics industry and as such is vital for the development of the electronics industry as a whole. A major problem facing electronic components industry at present is the limited domestic market. The segment also suffers from high capital intensity, long gestation period and high rate of obsolescence.

4.30 During 1986-87, the production of the electronics industry as a whole is expected to reach a level of Rs. 3685 crores, or a growth of about 28 per cent over 1985-86. The production of television sets is likely to cross 3 million mark consisting of 2.2 million black & white and 0.9 million colour T.V. sets.

4.31 Along with the increase in production, exports of electronics are also looking up. The level of exports is likely to go up from Rs. 151 crores in 1984-85 to Rs. 200 crores by 1986-87. Two-third of exports is from units in the Santa Cruz Electronics Export Processing Zone (SEEPZ). The growth in exports over the past years, however, has not been satisfactory. A major reason for the poor export performance is

the fact that the export markets are highly competitive and sensitive to price and quality.

4.32 Investment in the electronic sector is growing and a number of major projects in communications, computers, components, etc. are at an advanced stage of implementation. An encouraging development in this regard has been the good response from entrepreneurs for setting up units for production of a number of components involving fairly high investment. It is anticipated that during 1986 an additional investment of about Rs. 220 crores would be made in the component sector alone and a further Rs. 400 crores is anticipated during 1987. On the whole, the electronics industry is emerging as a major industry in the country.

4.33 The production base for electronics industry is widespread. There are over 2500 units in the public sector (both central and state), organised private sector and small scale sector. It is, however, noticed that the main contribution to production (accounting for about 75 per cent of the total output) comes from 250 major units of which over 100 units are in the small scale sector. The contribution of public sector units in the overall production of electronics is about 30 per cent, that of small scale sector is about 45 per cent and the remaining 25 per cent is contributed by units in the organised private sector. The total direct employment in the electronics units is estimated to be around 2 lakhs, of which 40 per cent is in the public sector.

4.34 The remarkable growth of electronics industry has been the result of concerted efforts in this regard. A number of specific steps have been taken to accelerate the growth of electronics in the country. The basic thrust of the policy is general rationalisation of the licensing policy, with an emphasis on promotion rather than on regulation. By and large, no upper limit is prescribed on capacity and no restriction of a sectoral nature : large scale, small scale, private sector, public sector, etc., is prescribed except where specific reservations are made on very special considerations. Achieving economies of scale with up-to-date technology has been the major objective of this sector. The following specific policy measures taken recently have played a significant role in the growth of this sector :

- (i) For a number of categories, "broad-band" licences have been issued.
- (ii) The electronic components industry has been delicensed. Also consumer durables are delicensed subject to the condition that the units would not draw upon resources from the financial institutions.

- (iii) The import of technology and foreign collaboration will be permitted in all areas of electronics. Units having foreign equity less than 40 per cent will be permitted in all areas.
- (iv) For telephone instruments, electronic PABX systems and rural automatic exchange the technology will be acquired on a centralised basis to achieve economies of scale.
- (v) Developments of small scale industry is being particularly encouraged. Approvals for a number of items have been decentralised to the level of State DIs. Investment limit for this sector has been revised to Rs. 35.0 lakhs and that for ancillary units to Rs. 45.0 lakhs.
- (vi) Electronic units will be allowed to be established in any permissible location.
- (vii) In order to achieve economies of scale in certain key areas, certain components which were reserved for small scale sector have been dereserved.
- (viii) The private sector has been permitted to enter areas of telecommunication, manufacture of telephone EPABX teleprinters, facsimile equipment, data communication terminals, etc. Other items can also be taken up by the private sector with Central/State Government participation of at least 51 per equity shares.
- (ix) In almost all areas of electronics, excluding consumer electronics, MRTP companies have been exempted from clearance under Sections 21 and 22 of MRTP Act.
- (x) A computer policy has been announced with emphasis on the manufacture of computers based on latest technology at prices comparable with international level and progressively increasing indigenisation consistent with economic viability.
- (xi) Import duty on raw materials, components and capital equipment has been reduced. In the case of computers, including software and black and white TV receivers with 36" screen size, there is complete exemption from excise duty.
- (xii) The import policy has been rationalised with a view to increase production.
- (xiii) Government is promoting appropriate applications of electronics to improve productivity, quality, safety and quality of services.

- (xiv) A fiscal package has been announced for component industry; which has rationalised the duty on raw materials, parts and semi-finished goods.

Research and Development

4.35 A number of fiscal advantages have been provided to encourage the setting up of R&D centres recognised by the Department of Scientific and Industrial Research (DSIR). There are more than 900 in-house R&D units enjoying DSIR's recognition and of these about 90 units are in the public sector. The expenditure incurred by the in-house R&D units during 1985-86 was reported to be around Rs. 500 crores. This, however, forms an insignificant part (0.2 per cent) of the overall turnover.

4.36 There has been a steady increase in R&D manpower employed by the in-house R&D units. In 1975-76, about 13,000 R&D personnel were employed by about 400 units. During 1981-82 the figure increased to over 41,000 for about 750 units. The present estimated manpower for over 900 units is of the order of 45,000. It is estimated that the R&D assets possessed by the in-house R&D units are currently to be of the order of Rs. 650 crores.

4.37 Some of the recent and important achievements of the in-house R&D units are : development of new drugs such as Forskolin, Trequinsin, Strankdazole, Nifedipine, Suprinorphine, Cibamid, etc.; development of fascimile transmission equipment, EPAX, EPBX, Electronic telephone instruments, auto rectifiers, etc., high strength aluminium alloys for defence applications, high speed precision winding machine for jute industry, Fluidized Bed Prying System for tea, Cationic Dyeable Polyester, Geotextiles, etc.

4.38 The in-house R&D units have acquired a number of technologies from the National Laboratories for commercial exploitation. Following are few examples of effective technology transfer : The Indian Petro-Chemicals Corporation Ltd. has commissioned a 10,000 tonne per annum capacity plant for production of acrylates based on process developed at the National Chemicals Laboratory, Pune; a solvent extraction process for the production of benzene has been made available by Indian Institute of Petroleum to Bharat Petroleum Corporation; an indigenous plant of 900 tonnes per day capacity for low temperature carbonisation of coal, developed at Regional Research Laboratory, Hyderabad has gone into production; 500 KW and 1 MW fixed frequency 'S' Band magnetron has been developed by the Central Electronics

Engineering Research Institute, Pilani; RRI, Jorhat assisted in the installation and commissioning of a 500 kg/batch capacity citronella distillation plant installed by the District Rural Development Agency (DRDA), Jorhat at Nakachari. The first commercial plant for distilled grade zinc dust set up by M/s Zinc Products & Co. (P) Ltd., Patna is based on National Metallurgical Laboratory's know-how. Central Food Technology Research Institute has developed and transferred a new milling technique which gives yields of 80-85 per cent in lesser time and at lower cost, compared to traditional processes. A continuous interaction is developing between the National Laboratories and various industrial R&D units in the country. However, major steps are still needed to improve the quality of R&D institutions and provide a boost to development of indigenous technology.

Industrial Sickness

4.39 Industrial sickness continues to remain a major area of concern. As at the end of December 1985, the number of sick units in the portfolio of scheduled commercial banks stood at 1,19,606 involving an outstanding bank credit of Rs. 4,270.93 crores. The total number of large industrial units identified by banks as sick has increased from 597 as at the end of June 1985 to 637 as at the end of December 1985. The outstanding bank dues of these units increased from Rs. 2655.39 crores as at the end of June 1985 to Rs. 2980.24 crores at the end of December 1985.

TABLE 4.7
Industrial Sickness
(Numbers)

No. of sick units as at the end of	Large Units	Medium Units	SSI Units	Total Sick units
December 1980 .	409	992	23,149	24,550
December 1981 .	422	994	25,342	26,758
December 1982 .	444	1178	58,551	60,173
December 1983 .	491	1256	78,363	80,110
December 1984 .	545	1287	91,450	93,282
June 1985 .	597	1181	97,890	99,668
December 1985 .	637	1186	1,17,783	1,19,606
Outstanding bank credit as at the end of				
				(Rs. in crores)
December 1980 .	1342.47	178.42	305.77	1808.66
December 1981 .	1478.84	187.63	359.07	2025.54
December 1982 .	1790.60	225.76	568.97	2585.33
December 1983 .	2014.33	357.97	728.99	3101.29
December 1984 .	2330.12	428.88	879.69	3638.39
June 1985 .	2655.39	195.13	954.65	3805.17
December 1985 .	2980.24	220.02	1070.67	4270.93

4.40 Of the 1,19,606 sick industrial units (large, medium and small) involving a total bank credit of Rs. 4,270.93 crores at the end of December 1985, the viability position was as follows :

Table 4.8
Viability Status of Sick Units as at the end of Dec. 1985

Units	Number	Amount (Rs. crores)
1. Units found viable	8,569	1987.33
2. Units found non-viable	99,062	1790.73
3. Units for which viability yet to be determined	11,975	492.87
TOTAL	1,19,606	4270.93

4.41 Of the 8569 potentially viable industrial units, 2751 units have been put under nursing by the banks upto December, 1985. The outstanding bank advances to these units amounted to Rs. 1581.35 crores.

4.42 Of the 637 large sick industrial units banks had determined the viability or otherwise in respect of 552 units by the end of December, 1985. Out of these, 350 units were found to be potentially viable and accounted for Rs. 1737.13 crores i.e. about 58.3 per cent of the total outstanding bank credit to all large sick units. Banks have put 221 units with outstanding credit of Rs. 1125.06 crores under the nursing programme.

4.43 In the small scale sector, 16,41,748 units have been provided with bank credit amounting to Rs. 7829.32 crores at the end of December, 1985. Of these, 1,17,783 units (7.2 per cent) have been found to be sick with outstanding bank credit of Rs. 1070.67 crores (13.7 per cent). Of the total sick units 7839 units (6.7 per cent) with outstanding credit of Rs. 244.98 crores (22.9 per cent) were considered by banks as potentially viable. A total of 2189 units with outstanding credit amounting to Rs. 176.33 crores were reported to be put under nursing programme by the financing banks as at the end of December, 1985.

4.44 A number of measures have been taken to tackle the problem of industrial sickness. The importance of detection of sickness at the incipient stage has been emphasised by the RBI. The RBI have also emphasised the importance of proper coordination between the commercial banks and term lending institutions in the formulation and implementation of rehabilitation packages. Another important measure by the RBI is the introduction of health code system to categorise various borrowal accounts according to quality of the accounts for better monitoring and for facilitating preventive action wherever necessary.

4.45 The Industrial Reconstruction Bank of India (IRBI) has initiated various steps for checking the growth of industrial sickness and helping in industrial revival. Out of 393 units assisted by the IRBI till the end of June 1986, 136 units have been revived. These include units which have repaid in full, those which are nationalised and those which have started making profits. The units which were under nursing programmes numbered 131. These two categories of units totalling 267 units constitute more than 80 per cent of the total units. The IRBI continued to organise inter-institutional rehabilitation meetings for conducting the efforts regarding sick units in the medium and large scale sector in consultation with other financial institutions.

4.46 A significant measure taken during the year was the setting up of Small Industries Development Fund (SIDF) in the IDBI on 20th May, 1986. This is meant to provide a focal point for coordinating financial assistance to the small scale sector. The Fund would be charged with the responsibility of providing re-financing assistance not only for development, expansion and modernisation but also for the rehabilitation of the small scale sick industries. It is expected that the SIDF assistance to the SSI sector during the next 5 years may go up to Rs. 8150 crores compared with Rs. 4075 crores during the last 5 years.

4.47 Lack of modernisation has been identified as an important cause for industrial sickness. In view of the urgent need for modernisation in the textiles and jute sector, which also account for a major share of industrial sickness, Government has set up two funds, viz. the Textile Modernisation Fund and the Jute Modernisation Fund. Under these two funds, assistance is provided not only to the healthy units for modernisation at 11.5 per cent rate of interest but also to sick but potentially viable units. Special loans are given to the weak units for meeting a part of the promoters' contribution. These special loans carry 6 per cent rate of interest with a repayment period of 12 years and an initial moratorium period of 6 years. The IDBI is the nodal agency for TMF while the IFCI would administer the JMF. The TMF has become effective with effect from 1st August, 1986 and the JMF from 1st November, 1986. Under the TMF, assistance of the order of Rs. 750 crores is expected over next 5 years. The JMF on the other hand has a corpus of Rs. 150 crores. It is expected that the setting up of these Funds would go a long way in improving the health of textiles and jute sectors of the Indian economy.

4.48 Central Government has set up a Board for Industrial and Financial Reconstruction (BIFR) with effect from 12th January, 1987 in pursuance with enactment of the Sick Industrial Companies (Special Provisions) Act, 1985. This is a major step for intervening at an early stage and detecting, preventing as well as taking ameliorative, remedial and such other measures which need to be taken with respect to sick and potentially viable companies. Under the provisions of the Act all medium and large scale companies who have their net-worth eroded by 50 per cent have to report the fact of such erosion to the Board and also to hold a General Meeting of the shareholders of the company to seek a fresh mandate for the management. Industrial companies who have accumulated losses eroding entire share capital and reserves have to make a reference to the Board for determination of measures which shall be adopted with respect to the company. The Board has been given wide ranging powers in respect of approval of rehabilitation packages for sick industrial companies including their reconstruction and revival as well as change of management or amalgamation with any other company, or sale or lease of a part or whole of the industrial undertaking, etc. or even winding up of the company. Board under the Act also has the powers of the Central Government to give approval to the amalgamation of a sick industrial company with a healthy company under Section 72--A of the Income Tax Act. It is further provided that the provisions of the MRTP Act shall not apply in relation to modernisation or expansion of a sick industrial company or the amalgamation or merger as a result of scheme sanctioned by the Board. The Act also provides for an Appellate Authority. It is now expected that with the coming into force of this Act, many sick units which were earlier allowed to go on incurring losses resulting in loss of production, loss of employment, loss of revenue to Central and State Governments and locking up of large amount of banks, institutional and public fund would be able to be restructured and thus rehabilitated on the basis of more funds coming from promoters and entrepreneurs rather than subsisting on public and institutional funds.

Employment in the Organised Sector

4.49 Employment in the organised sector at the end of June, 1986 (quick estimate) stood at 250.37 lakhs, showing an increase of 1.6 per cent as compared to 1.2 per cent in the corresponding month of last year. Employment of women in the organised sector which stood at 33.28 lakhs at the end of June, 1986 showed a higher increase of 3.5 per cent as against 2.9 per cent at the end of June, 1985.

4.50 The number of job-seekers on the live register of Employment Exchanges was 261.34 at the end of November, 1986 thereby showing an increase of 14.2 per cent over the same month of 1985. Monthly average of vacancies notified during April-November, 1986 was of the order of 55.3 thousand as compared to 56.6 thousand during the corresponding period of last year thereby showing a fall of 2.5 per cent. Similarly, average monthly placements during April-November 1986 declined to 29.1 thousand from the monthly average of 31.1 thousand over the same period of 1985, thus showing a fall of 6.4 per cent.

Industrial Relations

4.51 There has been a significant improvement in industrial relations which is reflected by a sharp decline in man-days lost to 28.05 million in 1985-86; which was the lowest since 1977-78. The man-days lost in the first quarter of 1986-87 was 8.72 million.

TABLE 4.9

Man-days lost on account of strikes and lockouts

Quarter	(in million)		
	1984-85*	1985-86*	1986-87*
I	14.29	8.10	8.72
II	6.87	6.88	3.49
III	7.86	7.48	**
IV	6.91	5.59	**
TOTAL	35.93	28.05	12.21

* Provisional

** Not available.

4.52 By an amendment made in the Payment of Bonus Act, 1965, the limit of salary for eligibility of bonus under the Act has been raised from Rs. 1600 to Rs. 2500 per month. The Wage Board for Working Journalists and non-Journalist Newspaper Employees made recommendation for grant of interim rate of wages to journalists and non-journalists employees of the newspaper establishments at the rate of 7.5 per cent of basic wages subject to a minimum of Rs. 45 per month. The Government after taking into consideration the various representations received from workers, organisations, M.P.s, etc. have announced an increased interim rate of wages at the rate of 15 per cent of the basic wages subject to a minimum of Rs. 90 per month. The Wage Board for Sugar Industry also made recommendation for grant of interim relief to workers of sugar industry at the rate of Rs. 45 per month w.e.f. the date of the expiry of the last agreement between the workers and the management or 1st January, 1986 whichever is earlier till the submission of the final award.

4.53 The improved industrial relations situation has contributed significantly towards the improved performance of the industrial sector. In order to further improve industrial relations, it is proposed to set up a Industrial Relations Commission. Tribunals are being set up for sorting out the problems of central staff/workers and more effective implementation of labour laws to maintain harmonious relations between the workers and employers to ensure better quality, productivity and management required for strengthening the economic structure.

4.54 Tripartite Industrial Committees on Chemical Industry; Engineering Industry; Cotton Textile Industry; Jute Industry; Plantation Industry; Road Transport Industry; Tanneries and Leather Goods Manufacturing Industry; Cement Industry; Building and Construction Industry; Coal Industry and Mines other than Coal Industry have been reconstituted, with a view to strengthen the Tripartite Consultative machinery. All these Committees have met at least once. Certain Committees have met more than one occasion so far. During 1986 the meetings of the Industrial Committees on Jute, Building and Construction, Cement, Cotton, Plantation, Mines other than Coal, and Coal have been held. In these meetings discussions were held on the issues relating to industrial relations situation, safety and occupational health, workers' participation in management and social security schemes, etc.

Small Scale Industries

4.55 Small scale industries continued to witness significant growth during 1985-86 (first year of the Seventh Plan). The number of small scale industries units increased from 12.42 lakhs in 1984-85 to 13.53 lakhs (provisional) at the end of 1985-86. Over the same period, employment in this sector increased from 90 lakh persons to 96 lakh persons (provisional). In 1985-86, the total production in the small scale sector was estimated at Rs. 61,100 crores (at current prices), as compared to Rs. 50,520 crores in 1984-85, an increase of 20.9 per cent in the value of production over the previous year. The SSI sector has also been making significant contribution to exports. The total exports of the SSI products was estimated at Rs. 2579.9 crores in 1984-85 registering an increase of 16.2 per cent over the preceding year and accounts for about 22.5 per cent of the total exports of the country.

4.56 A wide range of support policies and programmes have been introduced by the Government for the small scale sector. These include reservation of

items for exclusive production and purchase, priority in the disbursement of loans by the financial institutions, concessions in the import of raw materials and machinery, supply of these materials through Small Industries Corporations and other agencies and direct assistance like consultancy, training, etc. through a wide network of promotional bodies namely, Small Industries Service Institutes (SISIs), the District Industries Centres (DICs), Central Institute of Tool Design (CITD), Institute for Design & of Electrical Measuring Instruments (IDEMI), the National Institute for Entrepreneurship and Small Business Development (NIESBUD), etc.

4.57 A number of important development have taken place during the current year. Eight new items have been reserved for small scale sector, 21 items have been deleted and the nomenclature have been changed in respect of 24 items till the end of December, 1986. At present, 863 items are now reserved for small scale sector. The Small Industries Development Fund (SIDF) has been set up in the Industrial Development Bank of India in May, 1986 to provide re-finance assistance for development, expansion, diversification, modernisation and rehabilitation of small scale, cottage and village industries and tiny sector units in rural areas. New schemes of assistance have been launched under SIDF for women entrepreneurs and for quality control. The States Small Industrial Development Corporations (SIDCs) have been rendered assistance by the IDBI for the first time in order to strengthen their activities in marketing, supplying of essential raw materials, machinery on hire purchase basis, establishing industrial estates, etc. A Special Committee has been set up by the Reserve Bank of India to look into various aspects of sickness and to make recommendations for combating sickness and evolving a meaningful package of assistance for rehabilitation of sick units in this sector. A number of excise duty notifications were issued for the benefit of small scale sector in the 1986-87 Budget. Units whose value of clearances do not exceed Rs. 15 lakhs (Rs. 30 lakhs where the unit is manufacturing more than one article falling under different tariff headings) are completely exempt from the payment of excise duties. Concessional rates of duty have been prescribed for clearances between Rs. 15 lakhs and Rs. 75 lakhs. Small scale units whose value of clearances do not exceed Rs. 10 lakhs are no longer required to obtain excise licence. Excise procedures have been simplified. Excise inspection is limited to once in a year and self-assessment procedure has been introduced for clearances upto Rs. 50 lakhs.

4.58 Steps are also being taken to give boost to the development of small and cottage industries in the North Eastern region. November, 1986 was observed as "Quality Maintenance and Improvement Month" by the entire industrial sector with a view to creating quality awareness among manufacturers, workers and consumers. In pursuance of this, various SISIs of the

Small Industries Development Organisation (SIDO) organised and conducted 30 Seminars, 26 Industry Workshops, 4 Industry-Clinics and 5 Exhibitions in different parts of the country. Steps have also been taken for technology upgradation in the small scale sector and for identifying more areas which could lend themselves to ancillarisation.