

### III. INDUSTRIAL PRODUCTION

81. The rate of growth of industrial production declined from 7.5 per cent in 1969 to 3.1 per cent in 1970, and further to 2.9 per cent in 1971. This discouraging trend seems to have been reversed in 1972. During the first eight months of 1972 for which data are available, the index of industrial production increased by 7.4 per cent as compared to the corresponding period of 1971. On current indications, the rate of growth of industrial production in 1972 will be close to 7 per cent.

82. Data for January-August indicate that the growth of industrial production was facilitated by a rapid increase in the output of a large number of industrial groups. The chemicals group recorded the highest growth rate (21.4 per cent). Because of their large weight in the official index of industrial production, textiles, whose output increased by 9.3 per cent in the first eight months of 1972, provided the greatest stimulus to industrial growth. The following groups recorded an increase in production exceeding 7 per cent: electricity generation, mining and quarrying, textiles, rubber products, chemicals, non-metallic minerals, non-electrical machinery and transport equipment. The output of food manufacturing, beverages and tobacco, wood and cork manufactures and metal products declined.

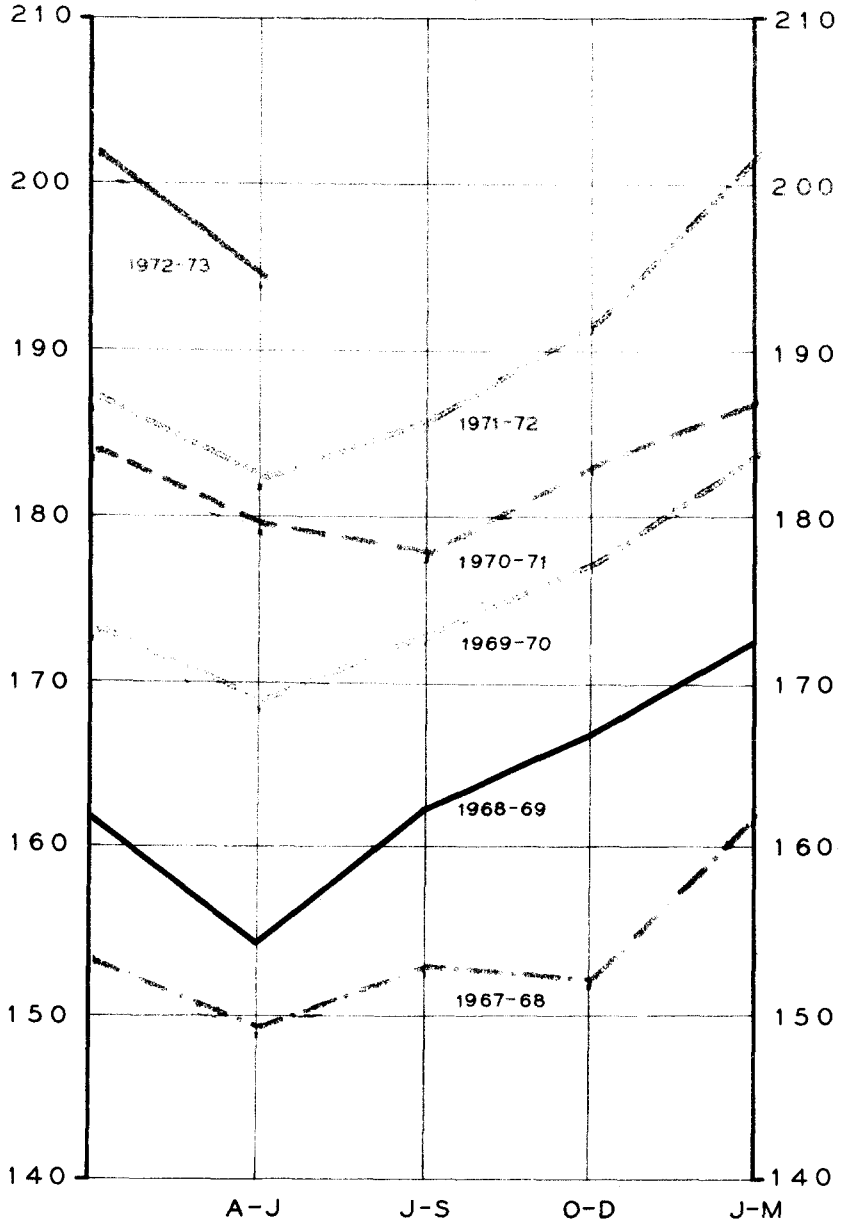
TABLE II  
*General Index of Industrial Production (Crude)*  
(Base : 1960=100)

Month	1970	1971	1972
January	186.6	188.4	199.6
February	175.2	178.7	196.7
March	188.5	192.4	208.0
April	181.7	183.4	190.3
May	176.8	179.0	194.6
June	179.0	182.7	197.2
July	180.0	187.3	198.1
August	175.1	183.1	200.1
September	178.6	185.0	
October	173.0	182.0	
November	182.5	189.7	
December	192.6	201.6	
<b>January-December</b>	<b>180.8</b>	<b>186.1</b>	
		(+2.9)	
<b>January-August</b>	<b>180.4</b>	<b>184.4</b>	<b>198.1</b>
		(+2.2)	(+7.4)

NOTE: Figures in brackets indicate percentage change over previous period.

# INDEX OF INDUSTRIAL PRODUCTION (CRUDE)

QUARTERLY AVERAGES  
1960=100



MINISTRY OF FINANCE, ECONOMIC DIVISION.

### Sectoral Performance

83. Industrial production in the first eight months of 1972 witnessed a reversal of the decline in 1971 in the production of two major groups, textiles and transport equipment. Recovery in transport equipment is notable because it came after a decline in production extending over the past six years. Even so, the group index, estimated at 133 for January to August 1972, was much lower than the index for 1965 estimated at 205. As is well-known, the principal item that had been affected by this prolonged recession was railway wagons. But a substantial volume of orders, both for indigenous use and exports, has now been placed on the industry, and this would facilitate a further increase in output in the coming months.

84. The strong recovery of the output of textiles in the first eight months of 1972 was obviously due to an improvement in the supply of raw cotton and raw jute. The takeover by the Government, and subsequent re-opening, of a number of sick cotton textile mills, and strong overseas demand for jute goods, were also important factors in the recovery.

TABLE III  
Index of Industrial Production by Principal Groups

(Base : 1960=100)

Group	Weight	1970	1971	Per-centage change	Jan. to	August	Per-centage change
				1971 over 1970	1971	1972	1972 over 1971
<b>General Index</b>	<b>100.00</b>	<b>180.8</b>	<b>186.1</b>	<b>+2.9</b>	<b>184.4</b>	<b>198.0</b>	<b>+7.4</b>
Electricity Generated	5.37	334.0	358.5	+7.3	353.5	393.0	+11.2
Mining and Quarrying	9.72	149.0	153.4	+3.0	151.7	163.6	+7.8
Manufacturing	84.91	174.8	178.9	+2.3	177.4	189.6	+6.9
Food Manufacturing	12.09	157.5	157.6	+0.1	156.5	155.2	-0.8
Beverages & Tobacco	2.22	170.1	182.5	+7.3	180.3	173.4	-3.8
Textile Manufactures	27.06	109.7	106.0	-3.4	104.5	114.2	+9.3
Footwear etc., Manufacture	0.21	161.3	168.1	+4.2	166.8	169.4	+1.6
Wood & Cork Manufactures	0.80	198.7	224.1	+12.8	240.1	232.8	-3.0
Paper Products	1.61	216.5	225.7	+4.2	222.4	225.5	+1.4
Leather and Fur Products	0.43	65.3	55.3	-15.3	57.7	61.1	+5.9
Rubber Products	2.22	215.7	241.8	+12.1	228.0	257.2	+12.8
Chemicals	7.26	236.5	252.7	+6.8	251.3	305.2	+21.4
Petroleum refinery Products	1.34	297.3	316.9	+6.6	309.1	315.2	+2.0
Non-metallic Mineral Products	3.85	189.1	207.6	+9.8	203.8	220.8	+8.3
Basic Metals	7.38	205.5	208.6	+1.5	208.5	222.2	+6.6
Metal Products	2.51	219.0	234.4	+7.0	245.4	232.6	-5.2
Non-electrical Machinery	3.38	369.5	373.2	+1.0	364.6	392.9	+7.8
Electrical Machinery	3.05	362.7	404.8	+11.6	398.1	421.3	+5.8
Transport Equipment	7.77	132.0	122.1	-7.5	122.1	132.6	+8.6
Misc. Industries	1.23	120.0	114.0	-5.0	122.3	79.2	-35.2

85. Production of food manufacturing, beverages and tobacco, wood and cork manufactures and metal products declined in the first eight months of 1972 as compared to the level attained in the corresponding period of 1971. Sugar has, next to tea, the highest weight (3.58 per cent) in the food industries group, and a decline of 20 per cent in its production which took place during this period could not be off-set by the increased production of other commodities. The fall in the output of the important metal products group should be a cause for concern. In 1971 this group showed a recovery after a decline experienced in 1970; a lack of sufficient demand for some items, like wire ropes, and capacity constraints in those of others, such as machine screws and wood screws, appear to be holding up the further growth of this group of products.

86. The chemicals sector played a leading role in industrial production during the first eight months of 1972. Its output went up by over 20 per cent as compared to the corresponding period of 1971. Power and industrial alcohol, calcium carbide, soap, glue, bleaching powder, liquid chlorine, oxygen gas, and fertilisers (both nitrogenous and phosphatic) recorded growth rates of over 10 per cent. The production of power and industrial alcohol was almost doubled, while that of fertilisers showed an increase of over 15 per cent. However, the production of dyes and intermediates declined, while increases in the case of certain basic chemicals like sulphuric acid, caustic soda and soda ash were moderate. For the latter two items existing capacity has been exploited to the full, and this is currently acting as a constraint on the expansion of output of industries using them as inputs. Calcium carbide and synthetic detergents are two other chemical industries where capacity is currently acting as a constraint on further expansion. Government have included synthetic detergents in the list of industries for which capacity can be doubled without the usual formalities of industrial licensing.

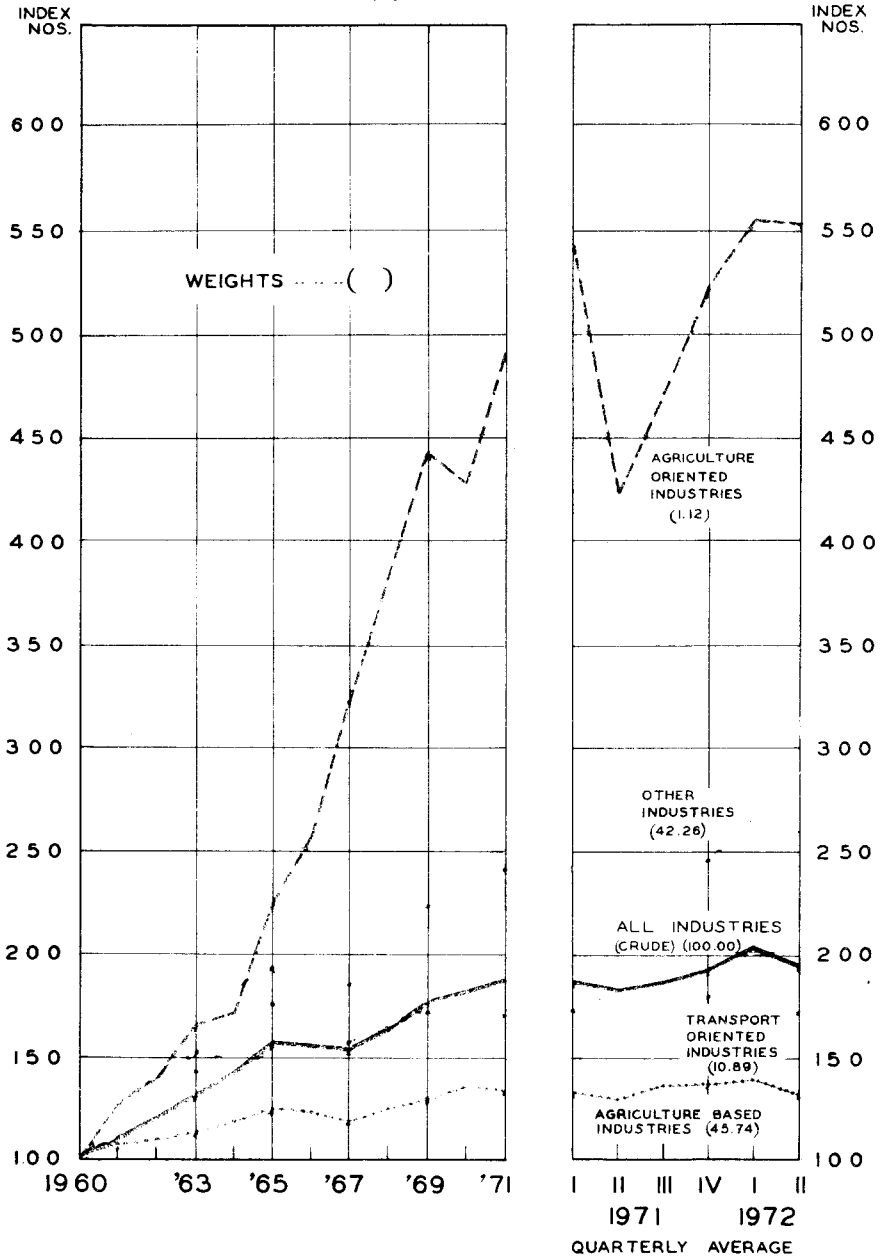
87. Next in order of performance to chemicals comes the rubber industries group which recorded a growth rate of about 13 per cent during the first eight months of 1972. The improvement in output was attributable to better industrial relations and a comfortable raw materials position, combined with some addition to capacity in the case of automobile tyres and tubes. Bicycle and tractor tyres and tubes also recorded significant increases in output.

88. Though output in the electrical machinery industry continued to rise during 1972, the rate of growth was markedly less than in 1971. While the situation seemed to have improved for dry-cells, electric lamps, electric fans, aluminium cables, and VIR/PVC wires and flexibles, production of house service meters and bare copper conductors declined significantly. The output of electric motors failed to recover from the low level reached in 1971; evidently, the effects of competition from the small scale sector continue to be felt.

89. The index for non-electrical machinery showed a rise of 7.8 per cent during the first eight months of 1972, as against stagnation during the corresponding period of 1971. The improvement was largely on

# PATTERN OF INDUSTRIAL PRODUCTION

1960 = 100



account of increased production of machine tools, ball and roller bearings, twist drills, and sugar and tea machinery. Production of stationary diesel engines registered a decline. The output of power driven pumps, which declined in 1971, remained static in 1972. In both these cases there is indirect evidence to suggest that production in the small-scale sector might have picked up, particularly in the context of the Emergency Agricultural Production Programme. Other items whose production declined are cement mill machinery, sewing machines and vehicular diesel engines; the last named industry suffered from a prolonged strike, and this affected the production of automobiles also.

90. The group of basic metal industries improved its performance in the first eight months of 1972 due to higher output of pig iron and steel. Copper production began to increase from June 1972 because of higher capacity; however, output during the earlier months was very low because of teething troubles in the running of a new smelter plant. In the case of aluminium, the increase in output in 1972 is likely to have been insignificant largely because of capacity constraints.

91. The non-metallic minerals group, which includes cement, continued to make progress, though the cement industry itself showed only a moderate increase in its output. This was partly due to the shortage of wagons in the earlier part of 1972, and partly due to an eleven day strike in the units of a large firm. In this group, the highest rate of increase was recorded by high tension insulators, reflecting the increased tempo of rural electrification. The production of refractories was unsatisfactory, in spite of the fact that there is considerable potential demand from the steel industry. In order to meet the shortage of high class refractories, the Government has been compelled to takeover two units.

92. In the case of petroleum products and paper products, there was some increase in output in the first eight months of 1972, but the latest trends are not too favourable, and output for the year as a whole may well show a decline as compared to 1971. Problems in the import of crude oil for the former industry, and capacity constraints in regard to the latter, appear to be the principal factors affecting production.

93. As for the sources of power, coal and electricity, both showed appreciable increases in the first eight months of 1972 in consonance with the spurt in industrial production. The improvement in the output of coal marked a recovery after two years of declining production, and progress can be expected to be maintained in the later part of the year. The outlook for power generation in the coming months is, however, not so bright.

### Power

94. Electricity generation, which has a weight of 5.37 per cent in the official index of industrial production, is an important industry in itself. In addition, fluctuations in its output have a direct bearing on overall industrial production. While the total installed generating capacity increased from 5.66 million KW in 1960-61 to 17.00 million KW by 1971-72, an overall shortage of power in the country still persists. The

expansion of generating capacity has so far been planned on the basis of an annual increase of 12.5 per cent, while the demand seems to be rising much faster.

95. In spite of an increase in installed capacity, and higher electricity generation, serious power shortages developed in 1972 in Maharashtra, Punjab, Haryana, West Bengal, Bihar and Uttar Pradesh, largely as a result of the erratic behaviour of monsoons and low levels in the hydro-reservoirs. There has also been a shortfall in the generation of atomic power because of operational difficulties of the nuclear power station at Tarapore.

96. It is expected that by the end of 1972-73 a capacity of 18.2 million KW would be in operation. Also, against the Fourth Plan target of 23 million KW, it seems that a capacity of only about 20.2 million KW would be created by the end of March, 1974. While installation of additional generating capacity is being speeded up, there is considerable scope, in the meantime, for improving the efficiency of the distribution system by reducing transmission losses, particularly those which result from inadequate maintenance.

97. At present about, 45 per cent of the country's generating capacity is accounted for by hydro-power. The uncertainty of rainfall can affect the generation of power from this source, as has actually happened in the latter half of 1972. While this does not imply that there has been any decline in power availability as compared to the previous year, it does highlight the need of planning for a certain level of reserve thermal capacity. The case for increasing thermal power is particularly strong in those areas which are predominantly dependant on hydro-power. Of course, once the proposed national grid has been established, it will be possible to distribute power more rationally throughout the country.

#### Utilisation of Capacity

98. An important factor in the recovery of industrial production in the first half of 1972 was better utilisation of capacity. However, in a number of industries like railway wagons, mining machinery, steel castings and heavy structurals, there is still very substantial under-utilisation of capacity.

99. There are also a number of industries working close to their capacity. Thus, in the case of rubber goods, almost all the industries are producing at full capacity. The only exception would be bicycle tyres and tubes (which are increasingly to be produced in the small scale sector), and rubber foot-wear which faces competition from small scale units manufacturing PVC shoes, etc. Even in these cases utilisation seems to have improved in 1972.

100. Similarly, there is a very large range of chemical products where capacity utilisation has reached levels of 90 per cent or more. In fact, in this group, apart from fertilisers, there are only a few items of any importance for which capacity utilisation is less than 70 per cent. Of these,

a group like industrial explosives has its fortunes linked to mining and quarrying which is now coming out of a period of relative stagnation; dyes, paints and varnish industries suffer when manufacturing activity is at a low level. In fertilisers, except for urea whose production is about 70 per cent of the capacity, the overall position is unsatisfactory. Partly this is so because there is a considerable lag between establishment of new capacity and its optimum utilisation; nevertheless efforts have to be made to improve the working of fertiliser plants in order to sustain the development of agriculture.

101. In the electrical equipment group, capacity utilisation in 1972 was generally satisfactory. Electric lamps, fans, house service meters, room air-conditioners, dry cells, storage batteries and heavy items, like motors, transformers and aluminium cables are all being produced close to capacity. Household wiring requisites such as winding wires, rubber and plastic insulated wires and flexibles would, however, appear to be faced with inadequate demand. Bare copper conductors do not have a sufficient supply of raw material and, in any case, are being replaced by aluminium conductors; paper insulated power cables seem to have lost ground to other types of power cables.

102. Under non-electrical machinery, capacity utilisation in the case of machine tools is still low though the situation seems to have improved in 1972. Other such items are tractors and drilling machinery; production of tractors has suffered because of demand having been affected by a variety of factors. These include the relatively poor performance of some domestic models and high prices. High levels of utilisation have been achieved by grinding wheels, band-saw blades, plastic working machines, gas welding and cutting equipment, ball-bearings, etc. Metal products showing a high degree of utilisation are machine screws, wood screws, crown corks, steel files, hurricane lanterns and hand tools. Capacity utilisation in industries like typewriters, bolts and nuts, razor blades, steel pipes and tubes, and transmission towers is still inadequate, even though the situation improved in 1972.

103. Broadly speaking, 1972 witnessed an improvement in capacity utilisation, though quite a few industries continue to remain in the doldrums. Better raw materials availability was a major factor promoting fuller utilisation of capacity. To some extent, the more cordial industrial relations were also responsible for the improved performance.

### **Industrial Licensing Policies**

104. In order to encourage higher industrial production through fuller utilisation/expansion of productive capacity in important industries, Government, in January 1972, decided to accord approval for additional manufacturing capacity, up to 100 per cent of existing capacity, without the formality of an industrial licence, provided that the increase was brought about without any imports of capital goods. The number of industries covered initially was 54, but later 11 more were added to the list. Firms belonging to the larger industrial houses and foreign majority companies, however, were not granted the benefit of an automatic increase in their



capacity. Their cases were to be examined on merit, and for this purpose a special 'Task Force' was set up.

105. Though the initial response of industry to the new policy of liberalisation was not very encouraging, and requests were few, the position improved during the later part of the year when substantial expansion of capacity was approved, among others, for the metallurgical industries, boilers and steam generating plants, prime-movers, electrical equipment, etc.

106. As for the Task Force, it received 267 applications from the larger industrial houses and foreign majority companies till the end of December 1972. Of these, Government approved 86 and rejected 102; the rest were under various stages of examination. The items for which additional capacity was approved by the Task Force include certain items of machinery, process control instruments, textile instruments, electronic instruments, ball and roller bearings, switch-gear, paints and enamels, various chemicals and pharmaceuticals, automobile components and ancillaries, optical and laboratory glass, etc.

107. A significant event of the current year was the announcement by the Government, on 2nd February 1973, of a modified industrial licensing policy. In order to remove unnecessary uncertainty, Government has published a consolidated list of industries which are open, along with other applicants, for the participation of larger industrial houses and branches and subsidiaries of foreign companies. The list includes core industries of importance to the national economy in the future, industries having direct linkages with such core industries, and industries with a long term export potential. Such items in the list as are reserved for manufacture in the public sector under Schedule A to the Industrial Policy Resolution, 1956, or for production in the small-scale sector, as may be notified from time to time, will be excluded from the application of the list. At the same time the definition of the larger houses, as contained in the industrial Licensing Policy of 1970, has been modified to bring it in conformity with the definition contained in the MRTP Act 1969. Thus, hereafter, larger houses for purposes of industrial licensing policy will be considered as those undertakings whose assets, along with assets of inter-connected undertakings, are not less than Rs. 20 crores. In order to restrict entry of large undertakings into areas that are primarily meant for small, medium and new entrepreneurs, it has been decided that the exemption limit from licensing provisions which now applies to substantial expansions and new undertakings up to Rupees one crore by way of fixed assets, will not apply to existing licensed or registered undertakings having fixed assets exceeding Rs. 5 crores. The existing policy of reservation for the small scale sector will be continued and it is proposed to expand the area of such reservation, consistent with the performance and potentialities of the small-scale sector. While endorsing the creation of joint sector units on a case by case basis, the new policy specifically declares that larger houses, dominant undertakings and foreign companies will not be allowed to use the joint sector to enter industries from which they are to be otherwise excluded. In all joint sector units, Government will ensure for itself an effective role in guiding policies, management and operations.

### The Working of the MRTP Act

108. The growing concern with the concentration of economic power in the industrial sector led to the enactment of the Monopolies and Restrictive trade Practices Act which came into force on the 1st June, 1970. During the period of two and a half years that the Act has been in operation, 853 undertakings have come forward for registration, as these undertakings individually, or in an interconnected manner, have assets of the value of Rs. 20 crores and above, or are dominant in the production or distribution of goods, or in the provision of services. These companies had net assets of the value of Rs. 4,847 crores as on 30th November, 1972, and accounted for about 50 per cent of the aggregate value of the assets of the total number of companies at work in the private sector. The Act does not debar the further expansion of these enterprises. However, the Act provides that such an expansion should be allowed only if it is in the wider public interest. The available statistics indicate that the administration of the MRTP Act so far does not seem to have stood in the way of expansion of these companies wherever justified on merits. Of the 82 applications considered and disposed of upto the end of November 1972 for expansion or for establishing new undertakings, only 5 with a proposed investment of Rs. 15 crores were rejected. The remaining applications, involving an outlay of Rs. 315 crores, were approved. However, in these cases of approval also, suitable conditions were imposed in many cases to dilute the control of the existing management over the undertakings and make them more broad-based in their capital structure, thereby reducing to some extent the concentration of economic power.

### Industrial Relations

109. Strained industrial relations have been a significant contributory factor to a lack of full utilisation of available industrial capacity in recent years. In 1970, the country lost 20.6 million man-days through industrial disputes. There was some improvement in the situation in 1971, and the number of man-days lost declined to 16.5 million. This was largely due to an improvement in industrial relations in West Bengal where the number of man-days lost fell sharply from over 11 million in 1970 to less than 4.5 million in 1971.

110. Data on industrial disputes, and the number of man-days lost thereby, are currently available only for the first six months of 1972. These indicate a further small improvement in the situation. The number of mandays lost in the first six months of 1972 was less than 8 million, as against over 9 million in the corresponding period of 1971, but even this must be considered substantial. Brief mention has already been made of a strike in the cement industry. However, during the year there was no major case of industrial unrest, except for an extended strike in an important automobile components/ancillaries plant which continued upto March 1972, and which recurred in the middle of the year, affecting production not only in that unit but also in another unit producing automobiles. Automobile production was also directly hampered by industrial unrest, in the absence of which the recovery in output staged by the transport group of industries would have been even more significant.

### **Employment in the Organised Sector**

111. Employment in the organised sector recorded an increase of 2.5 per cent in 1970-71 and 3.4 per cent during 1971-72, with the total employment rising from 17.49 million at the end of March 1971 to 18.08 million by end-March 1972. In consonance with the sluggish trend of industrial activity in 1971, the private sector failed to pull its weight, and additional employment generated in this sector in 1971-72 was of the order of 0.2 per cent only, as against 5.3 per cent for the public sector.

112. The industry-wise break-up reveals that in 1971-72 there was only a slight increase in employment in the private manufacturing sector, but there was a sharp rise in construction which probably indicates a revival of investment activity. In so far as the public sector is concerned, the principal increases in employment in 1971-72 are found to have taken place in mining and quarrying, trade and commerce and manufacturing.

113. Data on employment in the organised sector for 1972-73 are still not available. However, it is likely that the recovery of industrial production in 1972 probably led to an acceleration in the rate of growth of employment.

114. The available data on employment exchange registrations show that the number of people seeking jobs increased from 44.95 lakhs at the end of June, 1971 to 56.88 lakhs a year later. The number of educated applicants rose from 20.53 lakhs to 26.12 lakhs; for West Bengal the number rose from 3.22 lakhs to 4.48 lakhs, i.e., by 39.1 per cent as against 27.2 per cent for the country as a whole. Among the total number of registrants the State of West Bengal accounted for over 10 lakhs or 17.9 per cent. It was followed by Uttar Pradesh, Bihar and Tamil Nadu, the four States together accounting for almost half of the total.

115. The data on unemployment in the country are far from being reliable. Even then it is obvious that the sluggishness of industrial production since the mid-sixties has aggravated the problem of unemployment.

### **Trends in Industrial Investment**

116. The drought years of 1965-66 and 1966-67 were followed by a levelling off of investment activity in the private industrial sector. Thus, according to a Reserve Bank's study of 1501 large and medium non-financial, non-Government public limited companies, the rate of growth of gross capital formation (i.e., gross fixed assets plus inventories) declined from 11.0 per cent in 1966-67 to 9.2 per cent in 1967-68 and to 6.0 per cent in 1968-69. There was, however, a recovery in the two subsequent years for which comparable data are available, the rate of growth increased to 7.4 per cent in 1969-70 and 8.7 per cent in 1970-71.

117. Judged by the available data, the investment climate in 1971-72 seems to have improved. There was a significant spurt in the assistance disbursed and sanctioned by public financial institutions, as well as in the authorised capital of new companies. The public financial institutions have reported disbursements of Rs. 182.5 crores in 1971-72, almost 25

per cent more than in the previous year; their sanctions, at Rs. 307 crores, represent an increase of as much as 36 per cent. The number of new companies registered increased from 1927 in 1970-71 to 2524 in 1971-72 and their authorised capital went up from Rs. 333 crores in 1970-71 to Rs. 524 crores in 1971-72. The number of industrial licences and letters of intent issued also indicate an improvement. The number of letters of intent issued went up from 438 in 1970-71 to 1015 in 1971-72 and of industrial licences from 363 to 625 in these two years. At the same time, approvals accorded by the Capital Goods Committee rose from Rs. 99.67 crores in 1970-71 to Rs. 113.23 crores in 1971-72.

118. The overall picture which emerges for the current year, on the basis of data so far available, is somewhat mixed. For example, the number of industrial licences and letters of intent issued in 1972 is running below the level of 1971; the number of industrial licences and letters of intent issued declined from 530 and 777 respectively during the first ten months of 1971 to 430 and 700 during the corresponding period of 1972. On the other hand, consents given by the Controller of Capital Issues to non-Government companies reveal a significant step-up, the value of these consents (excluding bonus issues) having gone up from Rs. 54.9 crores in January-September 1971 to Rs. 127.6 crores in January-September 1972. The value of licences approved by the Capital Goods Committee during the first nine months of the current fiscal year is also marginally higher than the value of approvals accorded in the corresponding period of the preceding year.

119. The data on capital actually raised by the non-Government companies also presents an optimistic picture. Capital raised (excluding bonus issues) in the first nine months of 1972 at Rs. 77.8 crores, exceeded the total capital (excluding bonus issues) raised both in 1970 and 1971. However, it is to be noted that the improvement in 1972 is wholly on account of an unusually large increase in capital raised by way of debentures.

TABLE IV

*Capital raised by non-Government Companies under approvals given by the Controller of Capital Issues.*

(Rs. in lakhs)

Type of Issue	January-September				
	1970	1971	1970	1971	1972
Initial (Equity and preference)	2721.14	2155.02	2452.93	1416.97	545.98
Further . . . (do) . . .	2320.79	1971.61	2016.12	1732.31	1521.91
Debentures . . . . .	1273.23	872.30	1145.20	648.50	5110.32
Bonus . . . . .	5180.78	3180.92	4250.20	2438.03	2306.01
Loans . . . . .	603.02	403.89	233.71	329.51	598.43
<b>TOTAL . . . . .</b>	<b>12098.96</b>	<b>8583.74</b>	<b>10098.16</b>	<b>6565.32</b>	<b>10082.65</b>
(Total excluding bonus issues)	(6918.18)	(5402.82)	(5847.96)	(4127.29)	(7776.64)

120. As for public response to new issues, this has been of a mixed nature. While a few public issues have met with indifferent response, others have been heavily over-subscribed. The latter include shares of many newly established companies, and would, therefore, cast doubt on any general statement that investors are shy. Currently, investment activity in the private sector seems to be held up more by a lack of worthwhile investment proposals rather than by inadequate availability of investible funds.

121. In assessing the trend of industrial investment in the private sector, one must not lose sight of the small scale industry. It is the declared policy of the Government to assist in every possible way in the development of this segment of industry. Currently, as many as 128 items have been reserved for exclusive future development in the small-scale sector. Unfortunately, there are no reliable data for investment in this sector. However, such indirect evidence as is available, for example, from data relating to assistance by financial institutions, supports the inference that the rate of investment in the small scale sector has increased in recent years.

122. The public sector accounts for a major share of industrial investment in the country. In the first three years of the Fourth Plan, public sector outlays on minerals and industries showed a rising tendency. However, the actual outlays were lower than those provided for in the Annual Plans. The total outlay in the Annual Plan for 1972-73 was Rs. 799.39 crores and represented a significant step up as compared to the plan outlay in 1971-72.

### **The Industrial Outlook for 1973**

123. The prospects for industrial production in 1973 will be conditioned by a number of factors, the most important of which is the behaviour of agricultural production. The purchasing power of the rural population is likely to be affected by the unsatisfactory performance of the agricultural sector in 1972-73. Similarly, the rise in prices of basic necessities of life is likely to affect the purchasing power of fixed income groups in the urban sector. As a result the demand for consumers' durables, which is postponable, may decline. The shortfalls in the production of certain agricultural raw materials like vegetable oilseeds and raw jute may also affect the growth of industrial production. On current indications, the production of sugar is expected to register a small improvement. The situation regarding supply of raw cotton is expected to remain fairly comfortable and this will help to stabilise the production of cotton textiles. The rapid growth of textiles was the most important single factor contributing to the growth of industrial production in 1972. However, the growth of cotton textiles in 1972 came after a decline in production in 1971. It is highly unlikely that this industry can maintain in 1973 the same momentum of growth as in 1972. Similarly, the export demand, and therefore the volume of production of the Indian jute industry is also likely to be affected. It thus appears that industrial production in 1973 will have to rely on stimuli originating in sector other than textiles in order to sustain the growth rate of 7 per cent.

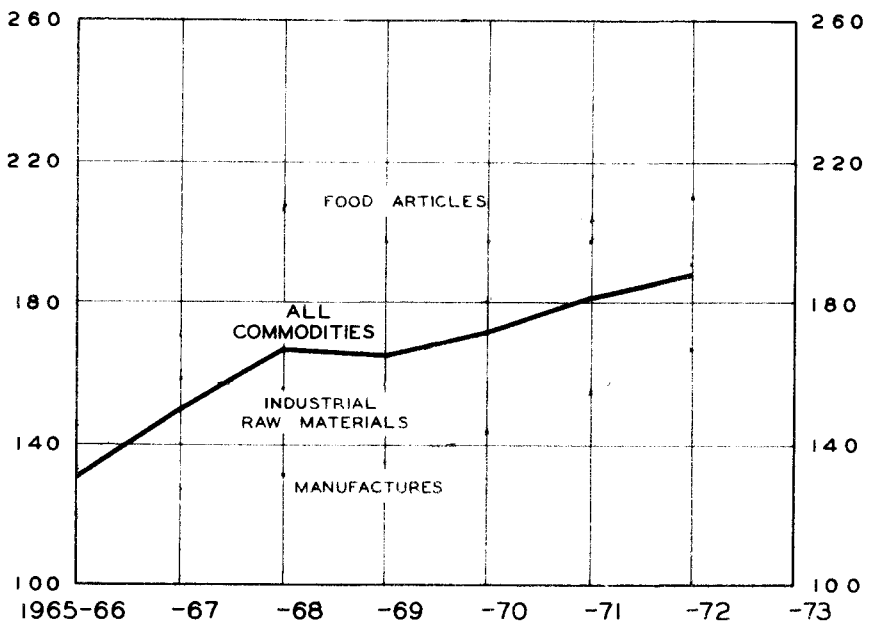
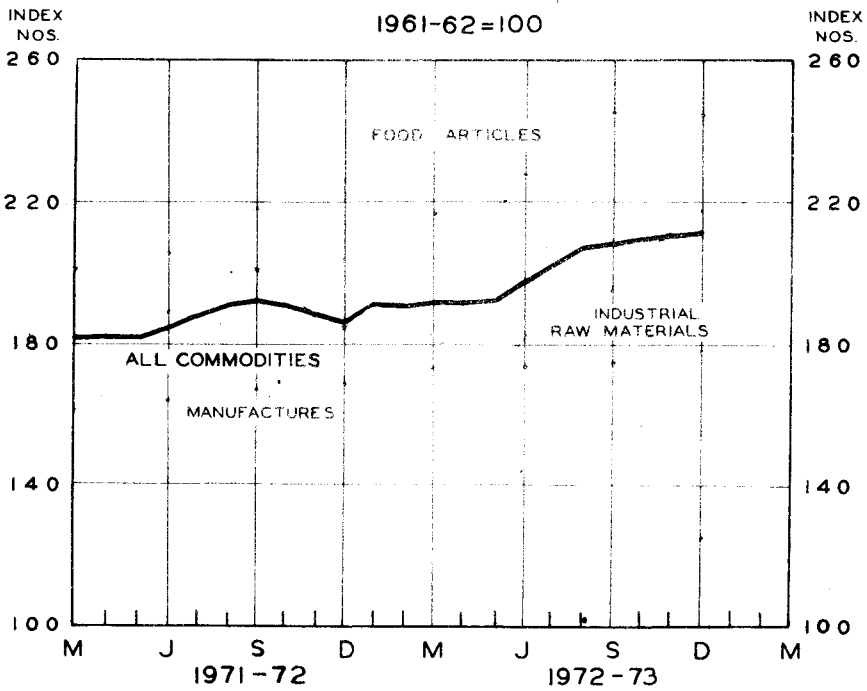
124. One encouraging feature of the situation is that despite some improvement in the utilisation of capacity in 1972, there is still considerable scope for securing additional production on the basis of a fuller utilisation of existing capacity. However, the actual outcome will depend greatly on the extent to which both industrial investment and the supply of certain critical inputs like power and iron and steel can be increased. The shortage of power is likely to affect industrial production in the early months of 1973. As regards iron and steel, the performance in recent years has not been very encouraging. The production of saleable steel by major producers declined from 4.79 million tonnes in 1969-70 to 4.54 million tonnes in 1970-71 and further to 4.48 million tonnes in 1971-72. It is estimated that production in 1972-73 will be about 4.75 million tonnes. Vigorous efforts are now being made to increase the level of capacity utilisation in the steel plants? Government was compelled to take over the management of the Indian Iron and Steel company in order to arrest the decline in production at that unit. The establishment of a holding company, the Steel Authority of India Ltd. should greatly help in the orderly planning of India's steel industry. However, the improved utilisation of available capacity in the steel plants is crucially tied up with greater operational efficiency and stable industrial relations at the plant level. The Government's decision to take over almost the entire coal industry, consisting of both coking and non-coking coal, would facilitate the expansion of the industry in line with the growing needs of the economy. However, both the management and organised labour will have to show proper awareness of their new responsibilities if the expected beneficial results are to materialise.

125. It is well known that operational difficulties currently stand in the way of full utilisation of existing capacity in a number of public sector enterprises. A high level Action Committee for Public Sector undertakings has been engaged in formulating concrete recommendations, enterprise by enterprise, for improving production and profitability in the public sector. It is to be hoped that action on the recommendations of this Committee will lead to a significant increase in production and capacity utilisation in the public sector.

126. The production of a number of public sector undertakings showed an encouraging increase during 1972. In regard to power generating equipment, for instance, the different units manufacturing heavy electrical equipment recorded increases ranging from 34 per cent to 103 per cent in January-November 1972 as compared to January-November 1971. The output of heavy electrical equipment at the Hardwar Plant of the BHEL went up by as much as 103 per cent, and of boilers and boiler components by the High Pressure Boiler Plant of the BHEL at Tiruchi, by 41 per cent. The output of power equipment by the Bhopal unit of the Heavy Electricals (India) Ltd., increased by 55 per cent during 1972 as compared to the last year. Similarly output of various types of cables at the Rannarainpur Plant of the Hindustan Cable Ltd. went up by 48 to 99 per cent during January-November 1972 as compared to the corresponding period of 1971. While the increase in output of other public sector undertakings has not been quite as spectacular, many of them recorded increases in output and better performance financially than in the previous year.

127. To sum up, with suitable management of demand, and improved availability of certain critical inputs, the economy is certainly capable of sustaining a growth rate of 7 to 8 per cent in industrial production in 1973. At the same time, it must not be forgotten that the improvement in industrial performance in 1972 was, to a very considerable degree, a result of the operation of certain favourable factors whose continuation in 1973 cannot be taken for granted. There are, no doubt, some hopeful elements in the situation. However, at this stage, it is not possible to draw a balance sheet of all the major factors which are likely to influence the course of industrial production in 1973.

# WHOLESALE PRICES



MINISTRY OF FINANCE, ECONOMIC DIVISION.