

CHAPTER 3

INDUSTRIAL PRODUCTION

3.1 Taking the period since 1960 as a whole, it seems that the year 1966 was a watershed insofar as our industrial performance is concerned. In sharp contrast to the previous six years when growth in industrial production averaged 9.2 per cent a year, the annual average rate of growth in industrial production in the next six years was only 4.5 per cent. The latter period includes the recession year of 1967; even excluding this year, the average annual rate of growth for this period is only 5.5 per cent. Also, in contrast to the period 1960-65, when industrial production increased at a steady rate of 8-10 per cent per year, industrial performance during the period 1967-1972 has been highly uneven. There was recovery in industrial production in 1968 and 1969, followed by two years of relative stagnation. Industrial production picked up again in 1972, when the rate of growth reached 7.1 per cent compared to 1.0 per cent in 1971. However, from partial information available so far, it seems that there was little, if any, growth in industrial production during 1973.

3.2 Indications of a deterioration in industrial production were evident towards the end of 1972 itself when the impact of power cuts began to be felt. While the calendar year closed with a recorded rate of growth of 7.1 per cent, the financial year registered a more moderate increase of 5.3 per cent, reflecting the slowdown in early 1973. The deceleration in the rate of growth continued through the first half of 1973, as a result of which the index of industrial production for that period shows a small decline as compared to the corresponding period of 1972. Production data of important industries covering the next three months suggest some improvement in July and August but a decline again in September. Although, at this time, it is difficult to predict the rate of growth of industrial production for the year as a whole, it is, at best, likely to be of small magnitude.

TABLE 3.1

General Index of Industrial Production (Crude)

(Base : 1960 = 100)

Month	1971	1972	1973
January	188.4	199.6	207.4
February	178.7	196.7	191.8
March	192.4	208.0	211.2
April	183.4	190.4	187.6
May	179.0	194.6	189.8
June	182.7	196.8	189.5

	1971	1972	1973
July	187.3	196.8	
August	183.1	198.7	
September	185.0	198.6	
October	182.0	197.9	
November	189.7	203.3	
December	201.6	211.7	
January-December	186.1	199.4 (+7.1)	
January-June	184.1	197.7 (+7.4)	196.2 (-0.8)

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

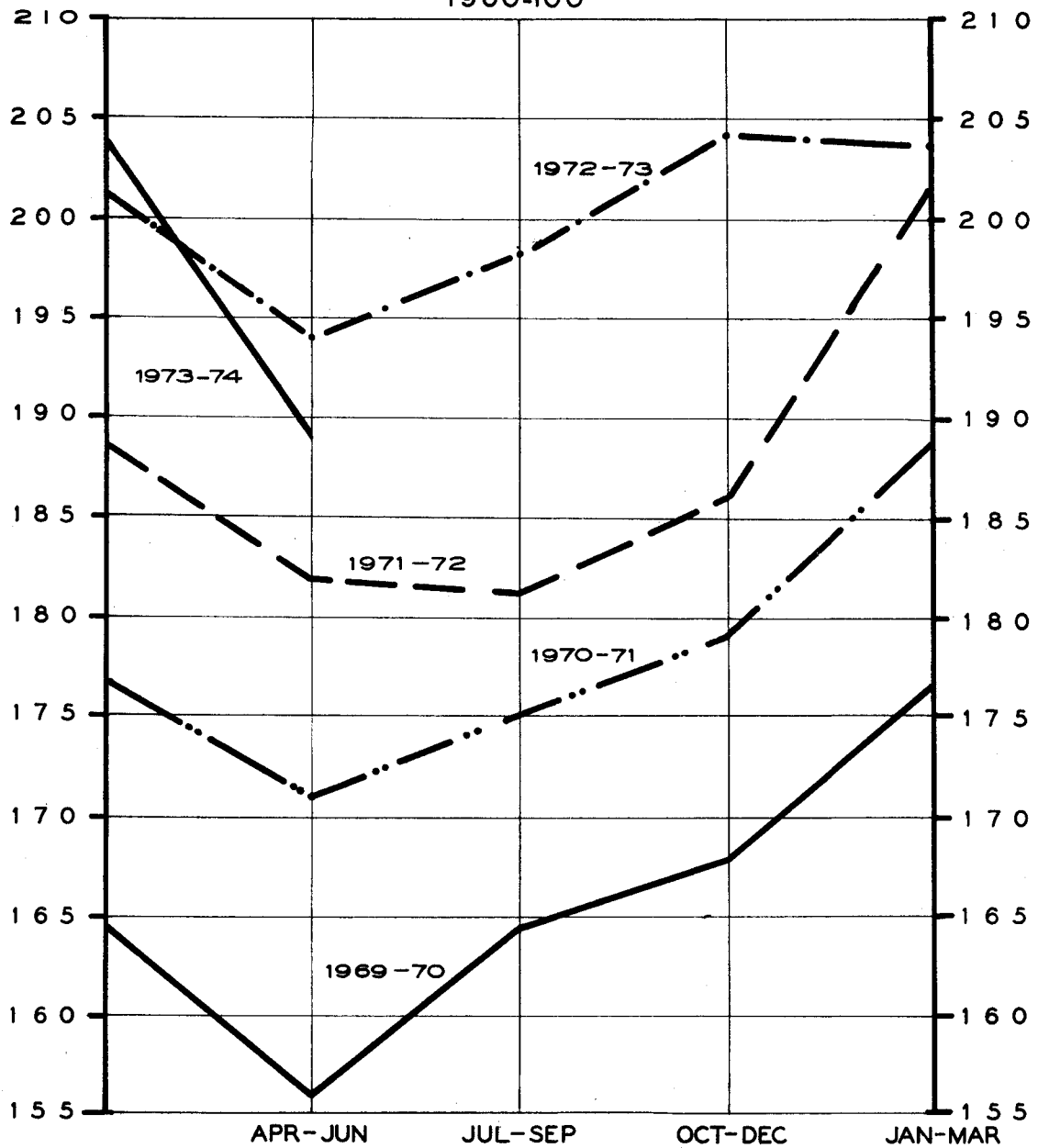
Sectoral Performance

3.3 Group-wise indices of industrial production for the first six months of 1973 are reproduced in the table below. While it is difficult to generalise on the basis of data for six months alone, it is clear that the most important group, viz., textiles, suffered a set-back. Even if textiles are excluded, output in the rest of the industrial sector would show a marginal fall. Since there was no serious shortage in the availability of either jute or cotton during this period, the main explanation for the fall in the output of textiles would seem to lie in the severe shortage of power experienced during the period. For the first time in 1973, the country experienced an actual decline in power generation. Thus for the period January-September 1973, figures for electricity generation show a fall of 4.1 per cent as compared to the corresponding period of 1972. Hydro-electric power, which provided 43.7 per cent of the total in January-September 1972, recorded a fall of 13.9 per cent in the corresponding period of 1973, and saw its share in generation decline to 39.3 per cent. The output from thermal stations, which account for more than half of the generating capacity, remained at the same level as in January-September, 1972, so that the shortfall in hydro-generation was not made good. Gas turbines also recorded a fall in generation of almost 14 per cent. As for other sources of electricity, nuclear power more than doubled, while diesel generation increased by one-third. However, these account for only a very small part of the total power supply.

INDEX OF INDUSTRIAL PRODUCTION (CRUDE)

QUARTERLY AVERAGES

1960=100



MINISTRY OF FINANCE, ECONOMIC DIVISION.

TABLE 3.2

Index of Industrial Production by Principal Groups

(Base : 1960 = 100)

	Weight	1971	1972	% change 1972/ 1971	January-June		
					1972	1973	% change
General Index	100.0	186.1	199.4	+7.1	197.7	196.2	-0.8
Electricity Generated	5.37	358.5	390.7	+9.0	393.6	369.1	-6.2
Mining & Quarrying	9.72	153.4	164.2	+7.0	166.3	168.7	+1.4
Manufacturing	84.91	178.9	191.4	+7.0	188.9	188.3	-0.3
Food Manufacturing	12.09	157.6	162.6	+3.2	152.0	151.6	-0.2
Beverage & Tobacco Industries	2.22	182.5	174.1	-4.6	169.9	165.2	-2.8
Textile Manufactures	27.06	106.0	114.4	+7.9	112.4	107.3	-4.5
Manufacture of wood and cork except furniture	0.80	224.1	217.7	-2.9	239.7	157.2	-34.4
Manufacture of footwear etc.	0.21	168.1	150.8	-10.3	165.3	157.3	-4.8
Manufacture of paper and paper products	1.61	225.7	226.1	+0.2	234.6	208.0	-11.3
Manufacture of leather & fur products	0.43	55.3	59.9	+8.3	59.2	73.3	+23.8
Manufacture of rubber products	2.22	241.8	256.0	+5.9	253.3	231.1	-8.8
Manufacture of Chemicals and Chemical products	7.26	252.7	293.8	+16.3	302.6	302.0	-0.2
Petroleum refinery products	1.34	316.9	317.2	+0.1	316.8	307.2	-3.0
Manufacture of non-metallic, mineral products	3.85	207.6	225.2	+8.5	220.7	220.3	-0.2
Basic metal industries	7.38	208.6	225.3	+8.0	223.7	219.6	-1.8
Manufacture of metal products	2.51	234.4	242.7	+3.5	229.1	252.9	+10.4
Non-electrical machinery	3.38	373.2	402.7	+7.9	393.9	445.3	+13.0
Electrical machinery	3.05	404.8	435.0	+7.5	433.5	432.2	-0.3
Transport equipment	7.77	122.1	133.4	+9.2	132.8	149.3	+12.4
Miscellaneous Industries	1.23	114.0	86.5	-24.1	79.4	40.8	-48.6

3.4 With a sharp deterioration in the power situation, it is not surprising that a number of industry-groups suffered a severe decline in output in the first half of 1973. Rubber products and paper and paper products were worst affected because of power cuts and labour disputes. Production data available for individual industries upto September, 1973 indicate that the output of auto tyres and tubes fell by about 6-8 per cent and of bicycle tyres and tubes by over 20 per cent; production of paper and paper board declined by 13.2 per cent.

3.5 The basic metal industries group does not appear to have fared as badly as one would have expected. While copper production rose, consequent on an increase in capacity, aluminium and iron and steel output declined, the former quite substantially, as labour unrest added to the difficulties experienced on account of power cuts. The availability of imported metals, however, helped in sustaining production of items like sheets and circles, pipes and tubes, etc., so that the

group as a whole recorded a decline of only 1.8 per cent in January-June, 1973 as compared to the corresponding period of 1972.

3.6 The non-electrical engineering industries group, on the other hand, showed a sizeable increase in output. Apart from items like pulp and paper machinery and steel structurals, most other industries either improved upon their performance—in some cases considerably—or maintained output at the level observed in the first nine months of 1972. In particular, the drought conditions of 1972 resulted in a revival of demand for power driven pumps and stationary diesel engines; output in January-September, 1973 rose by 46 per cent in case of the former and more than doubled in the case of the latter. Other items which showed sharp increases in output were tractors and road-rollers. The demand for road-rollers seems to have risen because of the road-building programmes which formed part of relief operations in drought affected areas.

3.7 Even in the case of electrical machinery, the heavier items like transformers and electric motors showed an appreciable increase in output during January-September, 1973—31.3 per cent in the case of the former and 16.2 per cent in the latter. Along with the heavy engineering industries, the transport equipment group also showed improved performance during the period, particularly in respect of items like vehicular diesel engines, automobiles, scooters, three-wheelers, tempos and bicycles. The private sector manufacturers of railway wagons appear to have benefited from the larger orders placed with them, and their production in the first nine months of 1973 was about 24 per cent above the level of the corresponding period of 1972.

3.8 As against the good performance of the heavy engineering industry, light engineering industries presented a different picture. Sewing machines, typewriters, air-conditioners, fluorescent tubes, dry batteries, electric fans and radio receivers all suffered a decline in output. Apart from any constraints arising from supply bottlenecks, this could indicate the lack of purchasing power for industrial products arising from larger expenditure on primary needs.

3.9 On the other hand, the metal products group improved its performance, though, itemwise, the trends were mixed. Wood screws, hacksaw blades, steel files, and nuts, bolts and rivets recorded an increase in output, while razor blades, hurricane lanterns and wire ropes suffered a decline.

3.10 Among non-metallic mineral products, the major item, cement, suffered a decline in output of over 5 per cent, largely because of transport difficulties. Other items in this group, other than glazed tiles and grinding wheels, also did not fare well. While AC products barely maintained their position, both HT and LT insulators lost ground, the latter by as much as 23 per cent.

3.11 In the food group, production of sugar showed recovery after the decline in the previous year. The output of sugar during the first half of 1973 was 19 per cent higher as compared to the corresponding period of 1972. However, the output of sugar in the first quarter of 1973-74 season shows a significant decline as compared to the corresponding period of the previous season. Whatever gains in production were made in sugar production in the first half of 1973 were counter-balanced by opposite changes in flour milling and vanaspati manufacture. Reduction in the output of wheat in 1972-73 seems to have affected flour milling. Similarly, shortages of oilseeds and oils, and power cuts in the northern parts of the country, affected the vanaspati industry. Along with vanaspati, the production of oxygen gas, which is a by-product of hydrogenation, also declined.

3.12 The chemicals group, which had played a leading role in the revival of production in 1972, presented a somewhat depressing picture with an appreciable slowing down in the rate of growth. In fact, the group index for the first half of 1973 records an absolute decline. Production data for the first nine

months of the year show that, except for fertilisers, caustic soda, paints and varnishes and certain dyes, there seems to have been a deterioration all along the line. While soap and glycerine obviously depend on the availability of oils and fats, industries like calcium carbide, and soda ash are dependent on power. The decline in output in the first two items was of the order of 30 per cent, and in the case of the latter two items was over 10 per cent. Along with calcium carbide, the production of acetylene gas fell by 10 per cent. Sulphuric acid and liquid chlorine are items in which there was a deterioration for the second year in succession. As chemical industries provide a number of intermediate products, the decline in output in this sector of industry may have consequences extending beyond the current year.

3.13 Among the minor groups, except for manufactures of leather and fur, other groups fared badly in the first half of 1973, particularly wood and cork products. In the leather group, thanks to strong export demand, the output of chrome tanned hides rose by as much as 66 per cent in January-September, 1973 as compared to the corresponding months of 1972, but that of vegetable tanned hides (whose weight in the Index of Industrial Production is four times that of the former) fell by 27 per cent.

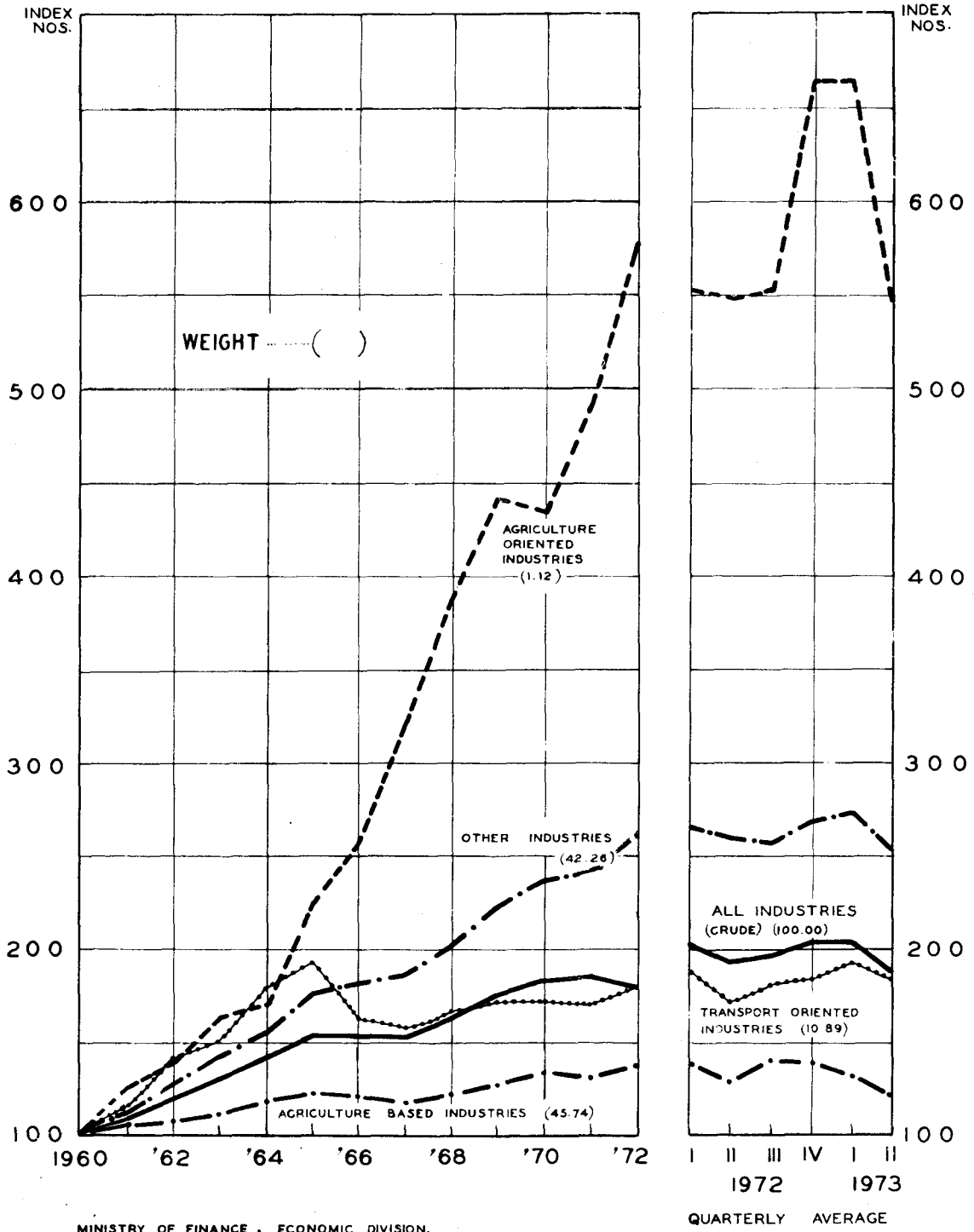
3.14 Progress in mining and quarrying was sustained mainly by coal, production of which rose by about 4.7 per cent in January-September, 1973. In spite of this recorded increase, a severe shortage of coal was felt in several parts of the country during the year. It is possible that part of the recorded increase in coal output in 1973 may be due to under-reporting of actual production in the period prior to take-over of non-coking coal mines in January, 1973. Output of manganese ore declined sharply by 11.6 per cent while that of iron ore rose by just 1.1 per cent. In the case of another source of power, i.e., petroleum products, production during the first nine months of 1973 was roughly at the same level as in the corresponding period of 1972. As for electricity, as mentioned earlier, generation during January-September, 1973 was well below the corresponding level of 1972.

3.15 The sector-wise performance is thus mixed, and presents a somewhat more encouraging picture than the overall figure of growth in industrial production so far in 1973. The heavy engineering industries, the metal products industries, heavy electricals and transport equipment industries showed sizeable gains during the first half of 1973. The aggregate performance would not have been so disappointing but for the slow-down in growth of textiles and the chemicals group.

3.16 According to all available indications, the rate of growth of industrial production in the Fourth Plan period is likely to be no more than half the postulated target rate of 8-10 per cent. The causes of decline in the rate of growth of industrial production are well-known and have been analysed at greater length in the Draft Fifth Plan document. As the Plan has pointed out, in some of the critical industries, like steel and fertilisers, production was held

PATTERN OF INDUSTRIAL PRODUCTION

1960 = 100



back in the Fourth Plan period primarily on account of operational problems in different units due to lack of maintenance or design deficiencies. In agro-industries such as sugar and textiles, which have a large weight in the index of industrial production, output during the Plan suffered due to the erratic behaviour of production of the related agricultural crop. Output in capital goods industries was affected by inadequate pace of investment, while production in other engineering industries was held back by the shortage of steel and non-ferrous metals. To add to this, shortage of coal and transport problems also contributed to lower utilisation of capacity in many industries. Furthermore, total investment in some crucial sectors, such as iron and steel, non-ferrous metals, fertilisers and coal has been well below anticipated levels during the Plan, which has meant that capacity creation has also lagged behind Plan targets.

3.17 While all these factors have operated with varying degrees of severity in different years of the Fourth Plan, so far as the year 1973 is concerned perhaps the most important cause of slow growth has been the widespread shortage of power. The fact that the entire power shortage cannot be explained by the failure of the monsoon in 1972 is borne out by stagnation in electricity generation in thermal power units, as well as frequent break-downs in power supply even after the onset of monsoons in 1973. It appears that inadequate maintenance, and insufficient attention to operational efficiency in generation and transmission of power, have also been important contributory factors to the shortage of power. In addition to operational problems, there has also been a severe shortfall of almost 50 per cent in the target for additions to installed generating capacity during the Fourth Plan. As against the anticipated addition of 9.3 million KW of new capacity to the 14.3 million KW installed by the end of March 1969, it is now anticipated that achievement will be 18.9 million K.W., i.e., an addition of only 4.6 million KW during the Plan period. The shortfall in capacity creation has further increased the gap between demand and supply which is likely to persist through the early years of the Fifth Plan. There can be no doubt that, if the trend witnessed in the field of industrial production has to be reversed in the coming years, highest priority must be attached to increasing operational efficiency of power units, as well as creating additional capacity as envisaged during the Fifth Plan. Availability of power alone does not, of course, ensure the healthy growth of the industrial sector, but the lack of it is bound to act as a brake on industrial development.

Capacity Utilisation

3.18 An invariant feature of the Indian industrial experience in the last few years has been the low level of capacity utilisation in many industries. Although it is not possible to generalise for the industrial sector as a whole, there is no doubt that substantial industrial capacity goes unutilised from year to year, even in sectors where there is excess demand. The classic examples are those of steel and fertilisers, 21 M of Fin/73--3.

and, more recently, aluminium, where production has been far below capacity despite a strong demand situation. The reasons for low capacity utilisation in the industries are, of course, to be found in inadequate availability of raw materials and power, management deficiency, and/or labour unrest. In addition, there are industries where capacity utilisation has been low because of slack in demand due to slow growth of industrial investment (e.g. railway wagons and cement mill, printing and tea machinery, etc.).

3.19 As mentioned earlier, there was almost no growth in industrial production in 1973 during the months for which data are available. This also implies that, overall, there could have been no improvement in capacity utilisation in the industrial sector as a whole. Such industry-wise figures as are available show that most industries have continued to operate near about the levels of utilisation prevailing in 1972, although in respect of some industries changes in capacity utilisation during the period have been quite significant. Dry batteries, transformers, aluminium ingots, matches, cigarettes, hurricane lanterns, liquid chlorine, soda ash, and electric motors, etc., which had operated close to full capacity in 1972 showed a sharp fall in utilisation in the first nine months of 1973. Significant improvement in capacity utilisation was confined to a few industries, such as, domestic refrigerators, chrome tanned hides, road rollers and diesel engines.

3.20 Many industries continued to operate at very low absolute levels of capacity utilisation. Nowhere is this fact more regrettable than in the case of such critical industries as aluminium ingots, fertilisers, steel, paper, cement and many other chemical and engineering industries. What is more, there seems to have been a fall in capacity utilisation in respect of some of these industries in the first nine months of 1973 as compared to 1972.

Industrial Licensing Policies

3.21 During 1973, among important developments in industrial licensing were the announcement of a new licensing policy in February 1973, and the establishment of a Project Approval Board in November, 1973 in order to speed up the issue of industrial licences. With a view to stepping up industrial production through fuller utilisation/expansion of productive capacity in the manufacturing industries, the Government modified its licensing policy in February, 1973. The new policy aimed at removing the uncertainty regarding industries which are open for participation of larger industrial houses and branches and subsidiaries of foreign companies. The definition of large industrial houses for this purpose was brought in conformity with the definition contained in the Monopolies and Restrictive Trade Practices Act of 1969. It was further clarified that large houses, dominant undertakings and foreign companies would not be allowed to use the provisions regarding the joint sector for gaining entry into those fields from which they were otherwise excluded.

3.22 Necessity was also felt to simplify, and speed up the procedures relating to the grant of industrial licences. In order to remove unnecessary delays, a new system was introduced with effect from November 1, 1973 which prescribed certain time limits for communicating the decisions in respect of pre-investment approvals. Thus, it was stipulated that decisions on the issue of letters of intent, foreign collaboration approvals and capital goods clearance should be conveyed to the applicants within 90 days, and, in cases where MRTP clearance is involved, the time limit should be 150 days. Direct industrial licences would be issued in cases where neither foreign collaboration nor capital goods clearance was involved.

3.23 The need for reorganising, and coordinating the entire system of approvals was recognised, and, for this purpose, a new high-powered Committee of the Government, namely, the Project Approval Board (PAB) has been set up to provide overall supervision and guidance. This Board will be the approval committee for composite applications (applications for licences which include foreign collaboration and capital goods clearance also). The existing approval committees, viz., the Licensing Committee, the Foreign Investment Board and the Capital Goods Committee, will function as committees of the Project Approval Board. In order to deal with licensing and MRTP aspects of the relevant industrial licence applications in a coordinated manner, a Licensing-cum-MRTP Committee will be formed which will also function under the Project Approval Board. The PAB will undertake quarterly pendency reviews in respect of applications for all kinds of approvals to identify delays at the various agency levels and to fix targets for clearing arrears. The Board will also review the progress of implementation in respect of letters of intent and industrial licences. Finally, the Board will provide a high level forum at which policy questions affecting a large number of applications can be brought up and thrashed out, so that problems arising from uncertain policy guidelines can be effectively resolved and delays avoided.

3.24 The servicing of the new approvals system is being carried out by a unified Secretariat for Industrial Approvals (SIA) in the Ministry of Industrial Development. The SIA will prepare summaries, after obtaining the views of the various scrutinising agencies, for approval of the Projects Approval Board.

Industrial Relations

3.25 Industrial relations, after having improved during 1971, deteriorated in 1972 when the number of man-days lost due to industrial disputes rose to 20.5 million from 16.5 million in 1971. The increase in the number of man-days lost during 1972 was mainly the result of general unrest among industrial workers because of rising prices and short supplies of various wage goods. In a large number of cases agitations centred round the issue of a higher

minimum bonus than the statutory level provided for under the Bonus Act.

3.26 Provisional data on industrial disputes, and the number of man-days lost are available for the first ten months of 1973. These show that the number of man-days lost during January—October 1973 was 15 million as against 18 million during the corresponding period last year, and, for the year as a whole, the figure may not exceed 17 million. One of the important reasons for a reduction in the number of man-days lost in 1973 was the amendment of the Payment of Bonus Act whereby the statutory minimum bonus payable to the workers was raised from 4 per cent to 8.33 per cent.

3.27 There were intermittent strikes and shut-downs in 1973 in a number of critical sectors, including the railways, and ports and docks. Some of the other industries affected were tea, vanaspati, wood and cork manufactures, paper and paper products, rubber products and motor vehicles. The strikes in the railways caused serious dislocation of transport and, hence, of supplies of essential industrial raw materials, particularly coal, and consumer items. For this reason, the number of man-days lost through industrial unrest in 1973 is not an adequate measure of the loss of output suffered by the economy.

Employment in the Organised Sector

3.28 Employment in the organised sector, public and private together, rose by 4.1 per cent in 1972-73 as compared to an increase of 2.8 per cent during 1971-72. This was to be expected in view of the revival in industrial activity in 1972. While employment in the public sector rose by 5.1 per cent, it went up by only 2.5 per cent in the private sector. To some extent, this difference in the rates of growth of employment in the two sectors was due to the fact that the management of the non-coking coal mines was taken over by Government in January, 1973. Consequently, employment in public sector mining and quarrying rose by 40.8 per cent whereas there was a contraction of 9.4 per cent in private sector mining. Of the other sectors, there was a substantial improvement in public employment in construction (10.0%), trade and commerce (9.6%), manufacturing (9.0%) and electricity, etc. (6.7%). In the private sector also there was a considerable increase in employment in construction (7.1%); in manufacturing, trade and commerce, and services the increase was of smaller proportions. The rise in construction activity for the second year in succession is to be welcomed as it is generally indicative of larger industrial investment, even though output may flag because of other restraints.

3.29 The total number of job seekers on the live registers of the employment exchanges rose from 56.88 lakhs at the end of June 1972 to 75.96 lakhs at the end of June 1973, an increase of 33.5 per cent. The

number of educated job seekers rose to 35.29 lakhs at the end of June 1973 from 26.11 lakhs a year earlier. Out of this increase of over 9 lakhs, West Bengal accounted for 2.4 lakhs, Bihar for 1.9 lakhs and U.P. and Maharashtra for almost one lakh each. There is no other aspect of our development experience which is a matter of greater concern than the failure to generate sufficient employment opportunities. The sharp growth in the number of educated job-seekers during the year is to be particularly regretted because this represents a waste of capital that the nation has invested in education. Although figures are not available for total employment created during the Fourth Plan, the record is unlikely to have been good in view of the shortfall in industrial production as well as investment in the economy.

Trends in Industrial Investment

3.30 The drought years of 1965-66 and 1966-67 were followed by a decline in the rate of investment in the private industrial sector. According to the 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 per cent in 1966-67 to 9.2 per cent in 1967-68 and to 6 per cent in 1968-69. There was, however, a recovery in two subsequent years, and the rate of growth in investment increased to 7.4 per cent in 1969-70 and 8.7 per cent in 1970-71 (at current prices).

3.31 No comparable figures are available for the rate of investment in 1971-72 and 1972-73. Investment data are, however, available for 601 joint stock companies, partnerships and proprietary enterprises financed by the Industrial Credit & Investment Corporation of India (ICICI). The ICICI sample includes 485 public limited companies, which together account for 53 per cent of the issued share capital of all public limited companies in the private sector. The ICICI study shows that the rate of growth of capital formation for the sample companies was around 8 per cent in 1972-73, and investment in gross fixed assets and inventories increased from Rs. 5,096 crores in 1971-72 to Rs. 5,502 crores in 1972-73. Investment in gross fixed assets alone showed an increase of 8.8 per cent from Rs. 3,616 crores to Rs. 3,936 crores, while inventory investment grew by about 6 per cent from Rs. 1,480 crores in 1971-72 to Rs. 1,566 crores in 1972-73. Among industry groups, the rate of increase in capital formation was more than 10 per cent for fertilisers, pharmaceuticals, man-made fibres, food products, glass and pottery, ferrous metal products, shipping and pulp and paper. As against this, automobiles, plastic materials, cables, machinery manufacture, steel tubes and sugar industries showed negative or very low rates of capital formation in 1972-73. The ICICI data also show that the rate of growth of gross fixed asset formation was relatively high for large companies with gross fixed assets of more than Rs. 10 crores, and for the smallest size group of companies with gross

fixed assets of less than Rs. 1 crore. For these two groups of companies, the rate of growth in asset formation was 9.5 per cent.

3.32 The ICICI sample is not representative of the entire corporate sector and, following the pattern of ICICI assistance, is heavily weighted in favour of non-traditional industries. For the entire corporate sector, some indirect evidence of investment activity can be gathered from data relating to direct loan assistance by term financing institutions, approvals by the Capital Goods Committee, capital raised by non-Government companies, and the number of licences and letters of intent issued during the year. However, it must be emphasised that these indirect indicators, taken either individually or collectively, are an inadequate, and often unreliable, guide to corporate investment activity and not much reliance should be placed on them. For example, recourse to public financing institutions by private corporations depends, among other things, on internal generation of funds, and does not necessarily vary with the level of investment from year to year. Similarly, capital goods clearances are also likely to be influenced by foreign exchange availability as well as indigenous availability of capital equipment, besides being related to the rate of industrial investment in the economy. Again, the number of licences issued during the year is more an indicator of investment intentions which might materialise in future years rather than of investment in the year in which they are issued.

3.33 Disbursements by term-lending institutions of direct loans in 1972-73 show an increase of 14 per cent from Rs. 154.8 crores in 1971-72 to Rs. 176.5 crores in 1972-73. Commitments for direct loans by such institutions in 1972-73 at Rs. 264.4 crores, were, however, only marginally higher than in 1971-72. Approvals by the Capital Goods Committee were higher by about Rs. 15 crores in 1972-73 (Rs. 129.8 crores); import licences for capital goods and heavy electrical plants similarly showed an increase of Rs. 16 crores (Rs. 268 crores in 1972-73). Although in the case of CG approvals steady progress has been maintained, the order of increase in import licences was much lower than that registered in the previous two years.

3.34 The number of industrial licences and letters of intent issued during 1972, however, shows a marked decline from 626 and 1015 in 1971 to 563 and 877 respectively in 1972. This, among other things, reflected greater selectivity in the issue of letters of intent and industrial licences in conformity with overall industrial priorities. Consents for capital issues, after showing a sharp increase in 1971, registered only a modest increase of Rs. 11 crores in 1972. This increase was largely due to the fact that there were two large debenture issues which served to double the figure for such consents from Rs. 25 crores in 1971 to Rs. 50 crores in 1972. The total capital actually raised by non-government companies (excluding bonus issues) rose from Rs. 54 crores in 1971 to Rs. 104.6 crores in 1972, but, a large part of this increase was on account of debentures.

TABLE 3.3

Capital raised by non-government companies under approval given by the Controller of Capital Issues

Types of Issues	(Rs. in lakhs)			
	1971	1972*	1972* (January-September)	1973*
Initial (Equity & Preference)	2155.02	1830.56	1450.51	1119.70
Further (Equity & Preference)	1971.61	2845.35	2567.58	1544.96
Debenture	872.30	5170.78	5117.50	1120.50
Bonus	3180.92	3616.04	2465.76	4051.02
Loans	403.89	616.07	596.74	313.58
TOTAL	8583.74	14078.80	12198.09	8149.76
Total excluding bonus issues	5402.82	10462.76	9732.33	4098.74

*Provisional

3.35 In the case of capital raised by non-government companies, the period January-September 1973, for which figures are available, shows a shortfall of Rs. 40 crores compared to the corresponding period of 1972. However, the picture is not so unfavourable because of the large volume of debentures issued in the earlier period. The number of licences and letters of intent issued in 1973 also seem to have fallen (514 and 892 respectively), but the decline is not excessive and may have been offset by increase in projected investment under the licences issued.

3.36 However, data regarding capital issues, approvals by the Capital goods Committee, and the operations of the IDBI, present a much more optimistic picture. As regards capital issues, the total sanctions during 1973 at Rs. 182.4 crores were no doubt Rs. 11 crores less than in 1972, but new share capital totalled Rs. 88.4 crores as against only Rs. 62.2 crores in the previous year. Within this, initial issues accounted for Rs. 46 crores compared to only Rs. 26 crores in 1972, indicating a continuing interest in industrial shares. This is also supported by the fact that the sanctions for debentures reverted to a more normal level of Rs. 22 crores, i.e., of the same order as in 1971. The IDBI, the most important term-lending institution, has reported sanctions of direct assistance to industry during the quarter July-September 1973 of Rs. 12.4 crores as compared to only Rs. 3.4 crores in the corresponding quarter of 1972. Disbursements in the same quarter of 1973 at Rs. 22.4 crores were about one-third more than in July-September 1972. As regards capital goods, approvals during April-November 1973 came to Rs. 88.1 crores as compared to Rs. 67.1 crores for the corresponding period of 1972, and CG/HEP import licences for the period April-October 1973 amounted to Rs. 148.3 crores as against Rs. 133.6 crores for the corresponding period of 1972.

3.37 So far as investment in the private sector is concerned, the Government has placed special emphasis on the growth of small-scale industry. Unfortunately, no reliable data on production or investment in the small-scale sector are available for recent years. This

lacuna is being made good through a census conducted by the DCSSI, with the cooperation of State Governments. However, there are sufficient indications of increasing investment in this sector. For example, a significant proportion of the State Governments' development expenditure under 'industrial development' is for small-scale industries; in 1972-73 such expenditure rose to Rs. 163.1 crores from Rs. 147.0 crores in 1971-72. Similarly, the Annual Plan for 1972-73 provided Rs. 62.6 crores for small-scale and village industries as against only Rs. 46.3 crores in 1971-72. Again, the public financial institutions have been providing assistance on an increasing scale. The Industrial Development Bank of India disbursed Rs. 16.6 crores in 1972-73 by way of refinance as compared to Rs. 13.9 crores in the previous year. The scope of IDBI's assistance to smaller projects would considerably increase following the sanction of an IDA loan of \$ 25 million which came into effect in June 1973. The proceeds would be made available to the State Financial Corporations for financing the foreign exchange requirements of this sector. During 1972-73, the State Financial Corporations disbursed loans to small-scale industrial units amounting to Rs. 29.8 crores or 68 per cent of their total disbursements.

3.38 Industrial investment in the public sector is a major component of total industrial investment. Tentative estimates available for total public sector investment in industry and minerals in 1972-73 show an increase of about 25 per cent—from Rs. 540 crores in 1971-72 to Rs. 670 crores in 1972-73. In the current year, 1973-74, public sector outlay in industry and minerals is likely to be substantially lower at around Rs. 610 crores. For the Fourth Plan as a whole, total public sector investment in industries and minerals is now estimated at Rs. 2,700 crores against the Plan provision of Rs. 3,050 crores. Investment in iron ore, petroleum and petro-chemicals has been broadly of the same magnitude as envisaged in the Plan; however, there have been substantial shortfalls in other crucial sectors like iron and steel, non-ferrous metals, fertilisers and coal. In real terms, the shortfall in public sector investment during the period is much larger because of price rise.

Outlook for 1974

3.39 Prospects for industrial production in 1974 continue to be somewhat uncertain, at least for the first few months. The power shortage has so far given no signs of having come to an end, though improvement was expected after the good monsoons. According to the available data, electricity generation in the second half of 1973 has been running at, or slightly below, the levels of last year, and any substantial increase in industrial production cannot be expected so long as power output does not rise appreciably. No doubt power generating capacity will have increased from 18.1 million KW in March 1973 to 18.9 million KW in March 1974, but this order of increase is not sufficient to cater to the rapidly expanding demand.

3.40 The internal power situation is, moreover, overshadowed by the uncertainty created by the world-wide energy situation. The effect of sharp escalation in prices of oil products on industrial development are likely to be two-fold. Firstly, the sharp increase in payments for imports of crude oil may affect imports which, in turn, will have an adverse impact on industrial production. Secondly, the availability of fuel oil for industrial use and oil inputs into other sectors (such as transport) may fall short of demand. In order to minimise the impact of cutback in oil availability, it is important that use of fuel oil in industry is economised, and that cuts are introduced in a planned and phased manner so as to derive the optimum combination of industrial output from a given amount of oil supply. The focus in the coming year will, however, have to be on coal, whether as a direct input in industry or for generating power and running the transport system as far as feasible.

3.41 An encouraging factor with regard to the industrial situation is the improved agricultural performance which will help to remove some of the constraints under which industry has been operating in 1973. The output of major agricultural raw materials in 1973-74 is likely to be substantially higher than in the previous year, though in the case of oilseeds the position continues to be tight. In general, the agro-based industries (which account for about half of the weight of the Official Index) should perform well in 1974 if power cuts and labour unrest do

not inhibit production. Similarly, the metallurgical industries can be expected to expand output provided the handicap of power shortage is overcome.

3.42 As has been mentioned elsewhere in this Survey, the public sector industries as a whole for the first time made a profit in 1972-73, reflecting the improvement in production in a number of industrial units. In 1973-74 this trend has been kept up, and output, during the first eight months, of several public sector enterprises has recorded a substantial increase as compared to the corresponding period of 1972-73. The only cases in which improvement has been impaired are saleable steel, manganese ore, coking coal, crude petroleum and refinery products, and insecticides. The shortfall in production of steel has itself been partly the result of shortages of coking coal. The undertakings which have improved upon their earlier performance by 20 per cent or more include the Cement Corporation of India, Hindustan Cables, National Instruments, Bharat Heavy Electricals and Heavy Electricals Bhopal, Bharat Heavy Plates and Vessels Limited, Hindustan Organic Chemicals and the Mining and Allied Machinery Corporation. The last named enterprise had earlier been operating at such a low level of capacity, because of lack of orders, that it had accumulated losses in excess of its own capital. A spurt in coal mining would obviously be in its interests.

3.43 Taking an overall view, thanks to a good agricultural season the present phase of stagnation in industrial output should come to an end soon, provided the output of steel and coal increases as anticipated and there is no disruption of power supply and the transport system. Satisfactory growth of output, and fuller utilisation of capacity, in the two crucial sectors of coal and steel are constrained only by our own organisational and managerial capacity, and no effort must be spared to see that achievement in at least these sectors corresponds to Plan targets. The oil situation will have an adverse effect on industrial growth, and there is no point in either minimising the consequences or understating the need for readjustment in industrial and investment strategy as a result of it. However, this challenge can be met, provided timely action is taken to shift to other energy sources in a planned manner and to reduce our dependence on imported inputs as well as import-intensive industries.