CHAPTER 3

INDUSTRIAL PERFORMANCE AND POLICIES

Industrial production registered a deceleration in growth during the first three quarters of 1989-90, but made a significant recovery in the last quarter of the year, and almost sustained the accelerated growth in the first 6 months of of the fiscal year, 1990-91. There was a marked decline in growth in the second half of the year. The Index of Industrial Production (IIP) shows a decelerated growth of 8.4 per cent in 1990-91 compared with 8.6 per cent in 1989-90. The manufacturing sector which accounts for more than three fourths of the total weight in the IIP, however, performed relatively better by scaling a higher growth of 9.2 per cent compared with 8.6 per cent in the previous year. The two infrastructure industries *viz.* Mining and Electricity have shown a sharp deceleration in growth. Production in the manufacturing sector has also shown a slowdown in growth since September 1990. This may be attributed partly to bottlenecks in the infrastructure sectors, particularly energy and transport, and short-supplies of some imported raw materials and components due to foreign exchange constraints and partly to the steady upward movement of the base level of industrial production in the second half of the previous year. The investment climate which was slightly dampened in the initial months turned brighter in the second half of the year. The capital market presented a mixed trend of buoyancy and slump.

Industrial Production in 1989-90

3.2 There was a mild deceleration in the growth of industrial production in 1989-90. The overall industrial growth, measured by IIP was 8.6 per cent during the year compared with 8.7 per cent in the previous year, 1988-89. The deceleration was due to lower performances by the manufacturing and mining sectors. While the electricity sector accelerated its growth from 9.5 per cent in 1988-89 to 10.8 per cent in 1989-90, growth of the mining sector declined from 7.9 per cent to 6.3 per cent and that of the manufacturing sector from 8.7 per cent to 8.6 per cent. (Table 3.1) The growth in the mining and manufacturing sectors was rather uneven during 1989-90. After recording more than 10 per cent growth in the first two quarters of the year, production of the mining sector decelerated to 3.5 per cent and 2.3 per cent in the third and fourth quarters, respectively. The quarterly growth pattern of the manufacturing sector was just the reverse; marginally negative in the first quarter but gradually picking up in the subsequent quarters touching a peak of 20.1 per cent in t e last quarter.

TABLE 3.1

Annual Growth Rates in Major Sectors of Industry

(Base : 1980-81)

Year	Mining	Manufacturing	Electricity	General
Weight	(11.46)	(77.11)	(11.43)	(100.00)
(1)	(2)	(3)	(4)	(5)
1981-82 . .	17.7	7.9	10.2	9.3
1982-83 . .	12.4	1.4	5.7	3.2
1983-84 . .	11.7	5.7	7.6	6.7
1984-85 . .	8.8	8.0	12.0	8.6
1985-86 . .	4.2	9.7	8.5	8.7
1986-87 . .	6.2	9.3	10.3	9.1
1987-88 . .	3.8	7.9	7.7	7.3
1988-89 . .	7.9	8.7	9.5	8.7
1989-90 . .	6.3	8.6	10.8	8.6
1990-91 . .	3.5	9.2	8.6	8.4

3.3 Among the seventeen major industry groups in the manufacturing sector, six industry groups, viz. Beverages and Tobacco, Paper and Paper Products, Electrical Machinery, Metal Products, Cotton Textiles and Leather and Leather Products with a combined weight of 25.67 per cent in the IIP recorded accelerated growth. Two industry-groups, viz. Jute Products, and Basic Metals and Alloys with a combined weight of 11.8 per cent recorded negative growth.

The remaining nine industry groups with a combined weight of 39.64 per cent recorded decelerated growth. Electrical Machinery and Appliances group (including electronics) which had suffered a severe set-back in production in 1988-89 made a smart recovery and recorded the highest growth rate of 32.7 per cent among all the seventeen industry groups.

Industrial Production in the Sixth and Seventh Five Year Plans

3.4 The Seventh Five Year Plan had targeted an annual growth of 8.7 per cent in industrial production and 8 per cent in the production of the manufacturing sector. Average annual growth of industrial production actually achieved during the Plan was only 8.5 per cent which fell short of the target marginally because of lower performance by the mining and electricity sectors (Table 3.2). The manufacturing sector exceeded the target by achieving an average annual growth of 8.8 per cent. But the performance of the sector was not uniformally good across the industry groups. Production in three industry groups, viz. Beverages and Tobacco, Jute Products, and Wood and Wood Products declined over the Plan period. Production of five industry groups-Leather and Leather Products, Chemicals and Chemical Products, Non-metallic Mineral Products, Electrical Machinery and Appliances, and Other Manufacturing Industries exceeded the targets.

TABLE 3.2

Trends in the Performance of Manufacturing Sector

(Base : 1980-81 = 100)

Annual Growth Rate (Per cent)

Code	Industry Group	Weight	Sixth Plan average@	Seventh Plan Target	1985-86 / 1984-85	1986-87 / 1985-86	1987-88 / 1986-87	1988-89 / 1987-88	1989-90 / 1988-89	Seventh Plan average	1990-91 / 1989-90
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
20—21	Food products	5.33	5.1	6.4	4.7	6.1	4.4	6.8	1.6	4.7	12.3
22	Beverages, Tobacco and products	1.57	2.9		0.4	—12.1	—13.8	8.5	11.8	—1.0	1.1
23	Cotton Textiles	12.31	0.9		8.0	1.9	—1.2	—3.1	4.2	2.0	17.9
25	Jute, Hemp and Mesta products	2.00	1.0	5.0	—2.2	4.0	—10.0	12.0	—4.8	—0.2	3.8
26	Textile products (including wearing apparel other than footwear)	0.82	—1.0		18.0	—22.8	5.3	46.3	13.0	12.0	—31.6
27	Wood and Wood products	0.45	23.0	8.5	3.1	10.3	—34.3	6.2	2.5	—2.4	12.6
28	Paper and Paper products	3.23	7.5		12.6	9.9	1.9	3.0	6.0	6.7	8.9
29	Leather and Fur products	0.49	10.7	4.3*	21.1	5.0	4.4	—4.4	6.1	6.4	3.0
30	Rubber, Plastic, Petroleum and Coal products	4.00	10.4	6.2**	3.9	—2.2	3.7	8.5	3.1	3.4	—0.3
31	Chemicals and Chemical products	12.51	9.4	9.5	8.1	13.7	14.5	16.2	6.1	11.7	2.7
32	Non-Metallic Mineral products	3.00	8.8	5.6	13.7	1.9	—1.4	16.8	2.9	6.8	1.7
33	Basic Metals and Alloys	9.80	2.1	8.1	9.0	8.4	6.9	6.9	—0.8	6.1	9.0
34	Metal products and parts	2.29	1.7		9.2	8.5	4.1	3.0	6.8	6.3	0.3
35	Machinery and Machine Tools	6.24	6.4	11.8	2.0	8.9	—1.8	15.8	6.7	6.3	8.1
36	Electrical Machinery and appliances	5.78	10.7	12.5	34.8	27.0	31.6	3.2	32.7	25.9	22.6
37	Transport Equipment	6.39	7.2	10.8	3.2	6.7	4.8	12.8	5.7	6.6	6.1
38	Other Manufacturing	0.90	9.5	9.8***	24.3	54.2	15.6	12.6	8.8	23.1	—3.2
Div—2-3	Manufacturing	77.11	5.8	8.0	9.7	9.3	7.9	8.7	8.6	8.8	9.2
Div. 1	Mining & Quarrying	11.46	12.7	13.0	4.2	6.2	3.8	7.9	6.3	5.7	3.5
Div. 4	Electricity	11.43	8.9	12.0	8.5	10.3	7.7	9.5	10.8	9.4	8.6
	GENERAL	100.00	7.0	8.7	8.7	9.1	7.3	8.7	8.6	8.5	8.4

*Includes rubber

**Excludes rubber

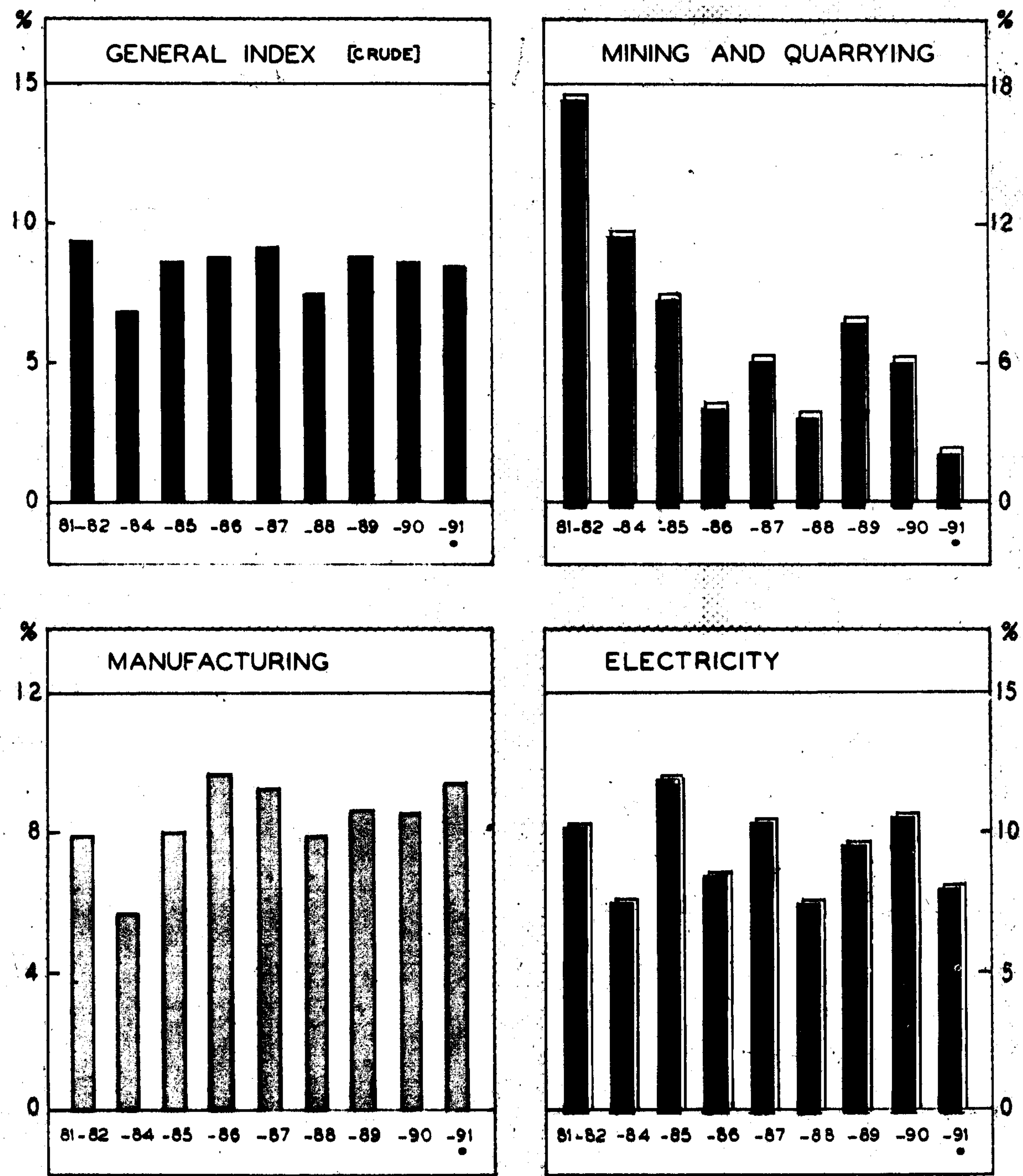
***Includes metal products

@Average for four years only (1981-82 to 1984-85)

CHART 3.1

GROWTH RATES IN INDEX OF INDUSTRIAL PRODUCTION

1980-81=100



• TILL FEB.'90

3.5 Table 3.3 outlines the sector-wise average annual growth rate of industrial production in the seventies, in the eighties and in the Sixth and Seventh Five Year Plan periods.

TABLE 3.3

Average Annual Growth Rates of Industrial Production Sectoral Growth Rates: (in per cent)

Period	Mining	Manu-facturing	Electricity	General
(1)	(2)	(3)	(4)	(5)
1970-71 to 1980-81 . .	4.3	4.0	7.3	4.4
1981-82 to 1989-90 . .	8.8	7.5	9.1	7.8
1981-82 to 1984-85 . .	12.7	5.8	8.9	7.0
1985-86 to 1989-90 . .	5.7	8.8	9.4	8.5

NOTE : Growth rates for the period 1970-71 to 1980-81 have been worked out from the Index of Industrial Production with base 1970 = 100 and for the period from 1981-82 onwards from the new IIP with base 1980-81 = 100. The two sets of indices are not strictly comparable because of the differences in coverage and weights.

3.6 Compared to the Sixth Plan, the Seventh Plan has achieved higher annual growth rates in the manufacturing and electricity sectors. However, the annual growth of the mining sector showed a substantial decline from 12.7 per cent in the Sixth Plan to 5.7 per cent in the Seventh Plan. An analysis of the comparative growth rates of the major industry groups in the manufacturing sector in the Sixth and Seventh Plan periods shows that in the Seventh Plan growth rates of Beverages, Tobacco and Products, Wood and Wood Products, and Rubber, Plastic, Petroleum and Coal Products have decelerated and those of Textile Products, Basic Metals and Alloys, Metal Products and Parts, Electrical Machinery and Appliances and Other Manufactured Products have accelerated significantly.

Industrial Production in 1990-91

3.7 Growth of industrial production continued to be on the deceleration track during 1990-91 also. The General Index has recorded a growth of 8.4 per cent during the year compared with 8.6 per cent in the previous year. The deceleration in growth was confined to the mining and electricity sectors. Growth of the mining sector declined from 6.3 per cent to 3.5 per cent and that of the electricity sector from 10.8 per cent to 8.6 per cent. The manufacturing sector, however, recorded an accelerated growth of 9.2 per cent in 1990-91 as against 8.6 per cent in 1989-90.

3.8 The Index of Industrial Production had recorded an accelerated growth of 11.7 per cent in the first half of 1990-91 because of a comparatively lower base prevailed in the corresponding period of 1989-90. Due to a relatively higher base during the second half of the year 1989-90, the IIP for the third and fourth quarters of 1990-91 have shown a growth of only 4.9 per cent and 6.3 per cent respectively. Constraints in oil supply, bottlenecks in infrastructure, cut in government expenditure, cost escalation and supply shortages of imported raw materials and components in the wake of the foreign exchange crisis had affected industrial growth. However, the Index of Industrial Production which had shown a decline since June 1990 recovered from November 1990 onwards. Since there was a sharp upward movement of index during the last quarter of 1989-90, recording a growth of 16.1 per cent, the growth of industrial production during the last quarter of 1990-91 was only a modest 6.3 per cent.

3.9 Industry Group-wise data available at 2-digit level of industrial classification shows that out of the seventeen industry groups in the manufacturing sector, fourteen industry groups with a combined weight of 71.4 per cent in the IIP recorded positive growth in 1990-91. Manufacture of Electrical Machinery and Appliances (which include electronics) recorded the highest growth of 22.6 per cent followed by Cotton Textiles (17.9 percent), Wood and Wood Products (12.6 per cent), Food Products (12.3 per cent), Basic Metals and Alloys (9 per cent) and Paper and Paper Products (8.9 per cent). Production of three industry groups viz., Textile Products (including wearing apparel), Rubber, Plastic, Petroleum and Coal Products and Other Miscellaneous Manufacturing Industries declined by 31.6 per cent, 0.3 per cent and 3.2 per cent respectively.

TABLE 3.4

Monthly Indices of Industrial Production

(Base : 1980-81 = 100)

Month	Manufacturing			General Index		
	1988-89	1989-90	1990-91	1988-89	1989-90	1990-91
April	166.0 (9.4)	168.5 (1.5)	190.3 (12.9)	169.9 (8.4)	177.5 (4.5)	197.2 (11.1)
May	167.8 (17.8)	166.3 (—0.9)	196.1 (17.9)	173.3 (15.8)	175.7 (1.4)	201.7 (14.8)
June	177.5 (13.3)	176.1 (—0.8)	199.1 (13.1)	179.1 (12.3)	181.4 (1.3)	203.4 (12.1)
July	166.6 (2.1)	172.3 (3.4)	196.5 (14.0)	169.6 (2.2)	178.5 (5.2)	201.9 (13.1)
August	166.3 (10.9)	174.4 (4.9)	197.2 (13.1)	169.4 (8.9)	181.3 (7.0)	201.0 (10.9)
September	168.3 (8.0)	176.9 (5.1)	195.9 (10.7)	171.6 (7.2)	183.4 (6.9)	198.1 (8.0)
October	168.5 (10.6)	177.6 (5.4)	193.3 (8.8)	174.6 (10.4)	186.0 (6.5)	200.3 (7.7)
November	174.4 (7.5)	192.7 (10.5)	197.9 (2.7)	181.0 (8.6)	198.6 (9.7)	201.9 (1.7)
December	187.6 (10.2)	205.9 (9.8)	216.3 (5.1)	194.5 (10.6)	211.9 (8.9)	223.4 (5.4)
January	183.7 (9.7)	211.1 (14.9)	218.6 (3.6)	192.7 (10.1)	216.6 (12.4)	226.0 (4.3)
February	179.3 (3.7)	204.3 (13.9)	219.3 (7.3)	186.3 (5.1)	207.6 (11.4)	222.7 (7.3)
March	201.5 (4.3)	262.4 (30.2)	277.4 (5.7)	208.8 (6.2)	258.4 (23.8)	277.1 (7.2)
April—March	**175.6 (8.7)**	**190.7 (8.6)**	**208.2 (9.2)**	**180.9 (8.7)**	**196.4 (8.6)**	**212.9 (8.4)**

NOTE :—Figures in brackets show percentage change over the previous year.

3.10 An analysis of the provisional production data at the disaggregated level for the fiscal year 1990-91 in respect of 155 selected industries with a total weight of 85.5 per cent in the IIP shows that out of the 143 manufacturing industries with a combined weight of 63.1 per cent, 85 industries (total weight 49.1 per cent) recorded positive growth. The growth rates were more than 10 per cent in 34 industries (total weight 17.9 per cent). Production of cloth in the decentralised sector has gone up by about 34 per cent. Commercial vehicles, sugar, agricultural tractors, phosphatic fertilizers, electric motors, electric generators, jute manufactures, telephone instruments, auto ancillaries, and computer systems and peripherals are some other major industries which have recorded growth rates over 10 per cent. Major industries which have shown decline in production are pig iron, vanaspati, ferro-alloys, diesel engines, mill made cloth, nylon and viscose filament yarn, penicillin and tetracycline.

3.11 Table 3.5 gives the group-wise indices of production and annual growth rates of the use-based groups of all industries from 1981-82 to 1989-90. Group-wise growth rates of the 155 selected industries classified into use-based groups for the years 1989-90 and 1990-91 are given in

CHART 3.3

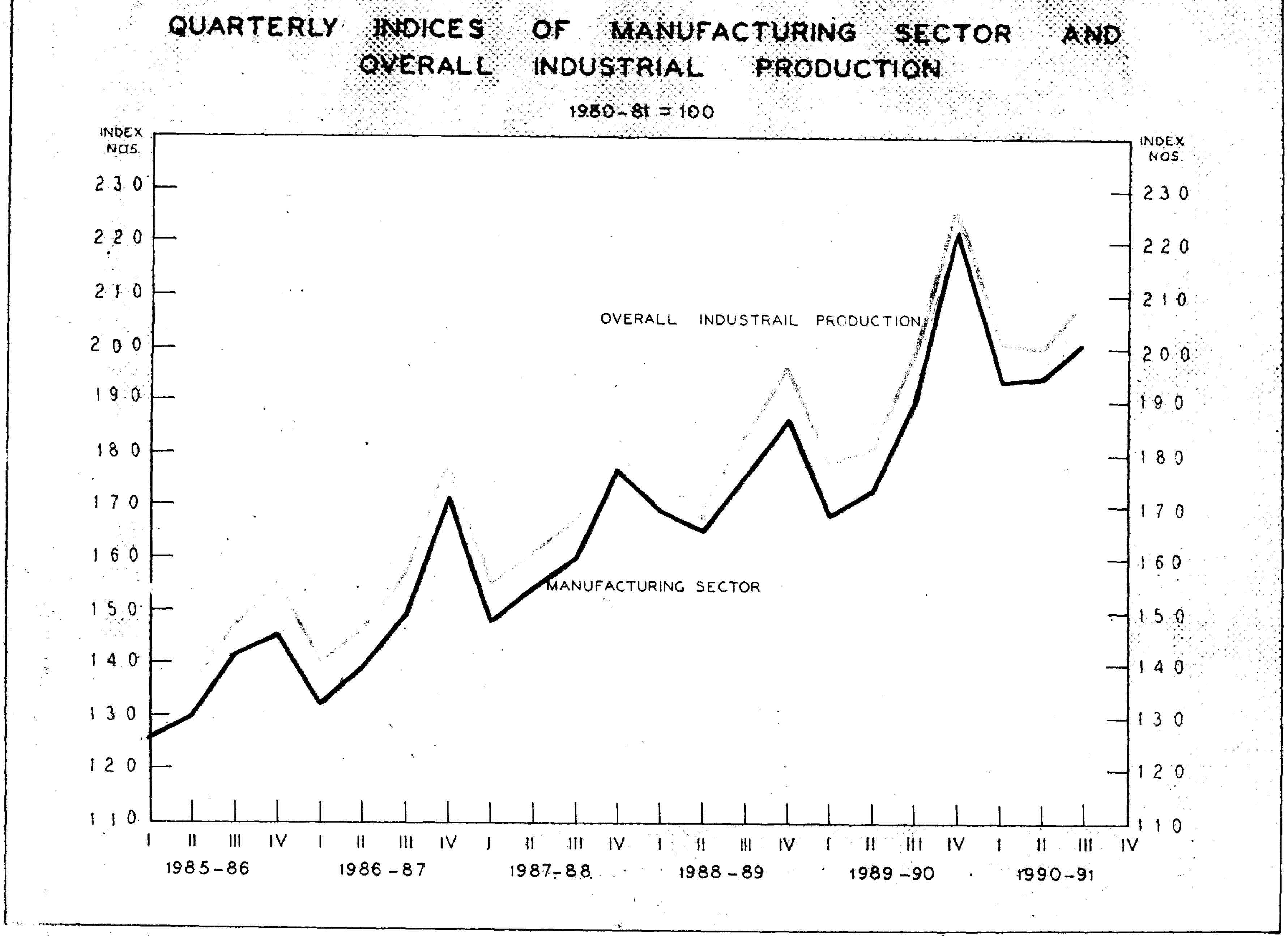

QUARTERLY INDICES OF MANUFACTURING SECTOR AND OVERALL INDUSTRIAL PRODUCTION
1980-81 = 100
INDEX NOS.
230
220
210
200
190
180
170
160
150
140
130
120
110
OVERALL INDUSTRAIL PRODUCTION
MANUFACTURING SECTOR
I II III IV
1985-86
1986-87
1987-88
1988-89
1989-90
1990-91

CHART 3·4

PRODUCTION OF SELECTED INDUSTRIES

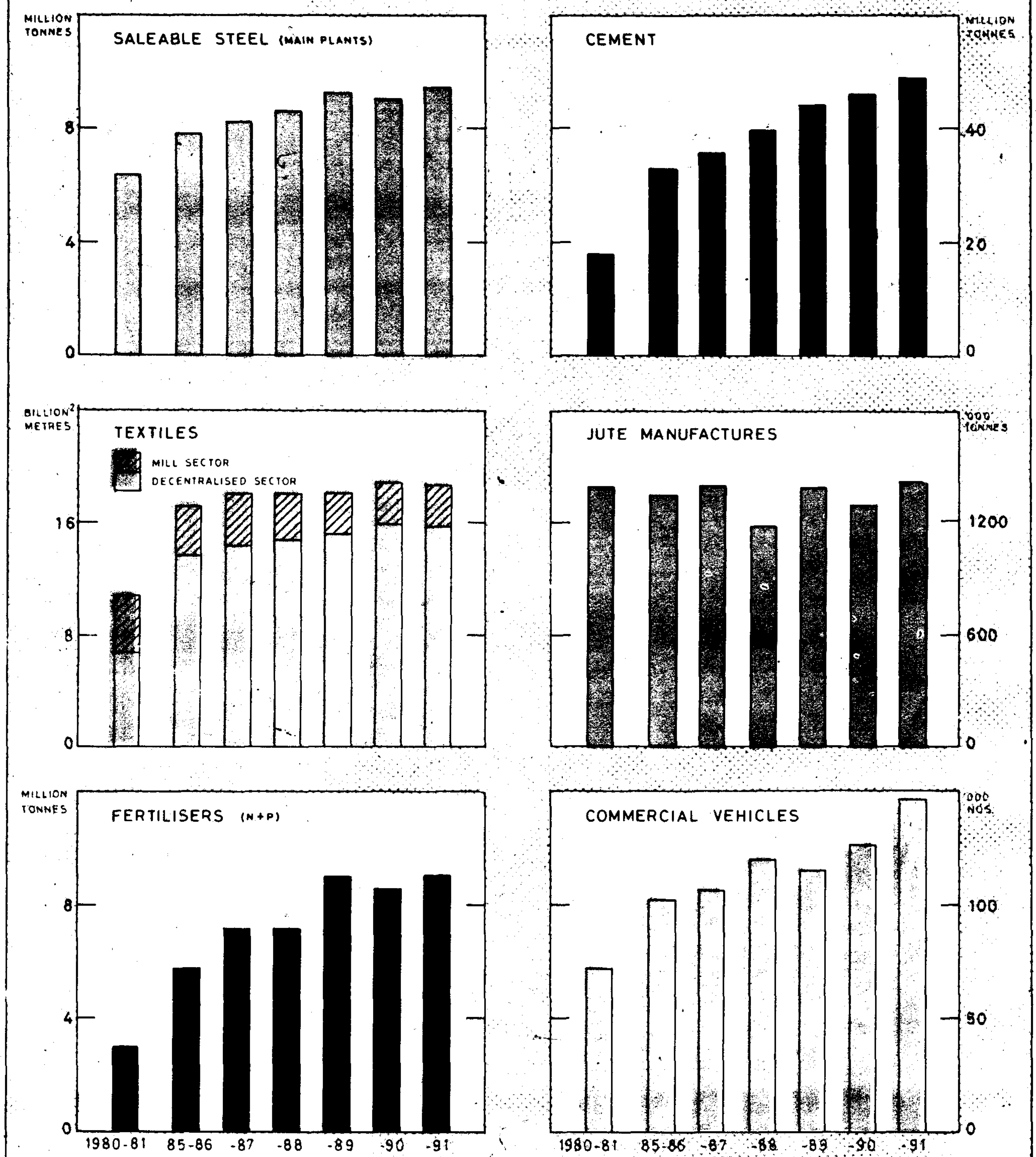


TABLE 3.5

Use-based Group Indices of Industrial Production
(Base : 1980-81 = 100)

Industry Group	Weight	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90*
1	2	3	4	5	6	7	8	9	10	11
I. Basic Goods	39.42	110.9 (10.9)	118.7 (7.0)	125.7 (6.0)	139.7 (11.1)	149.2 (6.8)	163.0 (9.2)	172.2 (5.6)	189.2 (9.9)	199.4 (5.4)
II. Capital Goods	16.43	106.7 (6.7)	110.6 (3.7)	123.5 (11.7)	127.2 (3.0)	140.7 (10.6)	166.3 (18.2)	192.8 (15.9)	206.2 (7.0)	252.3 (22.4)
III. Intermediate Goods . . .	20.51	103.7 (3.7)	104.6 (1.0)	114.9 (9.8)	126.1 (9.7)	135.5 (7.5)	141.5 (4.4)	148.3 (4.8)	165.4 (11.5)	172.5 (4.3)
IV. Consumer Goods	23.65	113.8 (13.8)	112.0 (—1.6)	113.8 (1.6)	122.0 (7.2)	137.3 (12.5)	147.1 (7.1)	156.6 (6.5)	163.2 (4.2)	173.5 (6.3)
(a) Consumer Durables . .	2.55	110.9 (10.9)	121.0 (9.1)	140.5 (16.1)	170.8 (12.6)	202.8 (18.7)	241.2 (18.9)	260.1 (7.8)	291.2 (12.0)	296.1 (1.7)
(b) Consumer Non-Durables . .	21.10	114.1 (14.1)	110.9 (—2.8)	110.5 (—0.4)	116.1 (5.1)	129.4 (11.5)	135.7 (4.9)	144.1 (6.2)	147.7 (2.5)	158.7 (7.5)

NOTE :—Figures within brackets indicate percentage change over the preceding year.
*Provisional.

Table 3.6. As the table indicates, there was accelerated growth in consumer durables and intermediate goods industries and decelerated growth in basic industries, consumer non-durables and capital goods. However, capital goods industries have continued to show a high growth rate of over 20 per cent in 1990-91 also.

TABLE 3.6

Growth Rates of Selected 155 Industries
(Use-based Group-wise)

Industry Group	Weight	Percentage change over the previous year	
		1989-90	1990-91*
1. Basic Industries . .	36.36	5.0	4.3
2. Consumer Durables .	2.20	1.9	10.9
3. Consumer Non-Durables	19.56	6.1	5.2
4. Capital Goods . .	11.32	24.9	21.9
5. Intermediate Goods .	16.10	3.1	5.6
All Industries . . .	85.54	8.3	8.5

*Provisional

Investment Climate and Capital Market

Investment Climate

3.12 Available indicators show that in spite of a mild deceleration in the growth of industrial production, investment climate continued to remain bright in 1989-90. There was a remarkable increase of 46.6 per cent in the approvals granted for new capital issues. Financial assistance sanctioned by All India Financial Institutions during the year at Rs. 15035 crores was 10.9 per cent higher than Rs. 13564 crores sanctioned in the previous year. Actual disbursements also increased by 8.7 per cent; from Rs. 8375 crores in 1988-89 to Rs. 9102 crores in 1989-90. The number of industrial licences issued by conversion of letters of intent increased marginally from 332 in 1988-89 to 334 in 1989-90. Although there was a slight fall in the number of letters of intent issued consequent to the delicensing of more industries, the total number of approvals/registrations granted by the Secretariat for Industrial Approvals (SIA) under the delicensing scheme and in the exempted category increased substantially (Table 3.7). But there was 16.6 per cent fall in the units registered with the Directorate General of Technical Development (DGTD), from 651 in 1988-89 to 543 in 1989-90. There was also a sharp decline in the number of cases of foreign collaborations approved by the Foreign Investment Board, from 636 in 1988-89 to 595 in 1989-90. On the other hand, value of capital goods import approved by the Capital Goods Import (Main) Committee increased from Rs. 1037 crores in 1988-89 to Rs. 1633 crores in 1989-90.

TABLE 3.7

Selected Indicators on Industrial Approvals and Sanctions

(Numbers)

Sl. No.	Indicators	1988-89	1989-90	1990-91
1	2	3	4	5
1.	Fresh approvals for setting up new industrial capacities :			
	(a) Letters of Intent Issued	1215	1155	931
	(of which those issued for backward areas)	(610)	(550)	(399)
	(b) Registrations issued by SIA under the scheme of delicensing	1125	1328	1345
	(of which those issued for backward areas)	(678)	(751)	(800)
	(c) Registrations of Industrial Undertakings exempted from licensing	274	1008	1214
	(of which those issued for backward areas)	(199)	(567)	(639)
	(d) Cases approved under the scheme of Minimum Economic Scales (MES)	36	71	71
	TOTAL	2650	3562	3561
2.	Industrial licences issued, cases approved for endorsement of higher capacities under the scheme of re-endorsement and cases approved under the scheme of broad-banding :			
	(a) Industrial licences issued by way of conversion of letters of intent/ direct licences	332	334	325
	(of which those issued for backward areas)	(149)	(157)	(137)
	(b) Carry-on Business licences issued	58	67	51
	(of which those issued for backward areas)	(21)	(16)	(9)
	(c) Re-endorsements made under the scheme of re-endorsement of capacity	204	65	143
	(d) Cases approved under the scheme of broad-banding	75	93	55
	TOTAL	669	559	574
3.	Foreign collaboration approvals on the basis of clearance accorded by FIB	636	595	640
4.	DGTD registrations	651	543	404
	(of which those issued for backward areas)	(321)	(252)	(188)
5.	Capital Issues (Approvals) (Rs. crores)	8235	12076	12632
6.	Import of Capital Goods (Approvals) by Main Committee (Rs. crores)	1037	1633	854
7.	Total Financial Assistance by All-India Financial Institutions* (Rs. crores)			
	(a) Sanctions	13564	15035	19385
	(b) Disbursements	8375	9102	11643

*IDBI, IFCI, ICICI, UTI, GIC, LIC and SIDBI

3.13 Investment climate in 1990-91 although remained somewhat dampened in the first half of the year by the mixed behaviour of the available investment indicators turned brighter in the second half of the year. Approvals granted by the Controller of Capital Issues (CCI) for new capital issues during the year at Rs. 12632 crores was about 4.6 per cent higher than Rs. 12076 crores approved in the previous year. Registrations granted under the exempted and delicensed categories for setting up new industrial capacities have increased substantially. More foreign collaborations were approved in the year than in 1989-90. However, fresh DGTD registrations and approvals granted for import of capital goods by CG (Main) Committee showed a marked decline over the previous year. Less number of industrial licences and letters of intent were issued during the year than in 1989-90. Financial assistance sanctioned by the All India Financial Institutions during 1990-91 at Rs. 19385 crores was 28.9 per cent more than Rs. 15035 crores sanctioned during the previous year. Disbursements also had gone up by 27.9 per cent from Rs. 9102 crores in 1989-90 to Rs. 11643 crores in 1990-91.

Capital Market

3.14 The capital market which had turned buoyant in 1988-89, continued to rule firm during 1989-90 with activities in both the primary and secondary markets touching new heights, in terms of new capital issues and appreciation in the values of shares. Approvals for new capital issues (including bonus shares) granted by the CCI during the year at Rs. 12,076 crores recorded a significant increase of 46.6 per cent over Rs. 8,235 crores in 1988-89. The number of companies to which approvals were granted also increased from 908 in 1988-89 to 1,038 in 1989–90. Out of these approvals, the actual issues, excluding bonus shares, by non-government public limited companies other than term-lending institutions, is estimated at Rs. 6,437 crores by 408 companies in 1989-90 compared with Rs. 3,165 crores by 341 companies in 1988–89, marking a quantum jump of over 104 per cent. The stock market, by and large, continued to rule firm during the year but for some short spells of slump in June, August and February. The annual average of RBI's All India Weekly Index Number of Ordinary Share Prices (Base 1980–81 =100) moved up from 247.5 in 1988-89 to 359.4 in 1989–90 recording an increase of 45.2 per cent. On a point to point basis, the Index at 400 for the week ended March 31, 1990, registered an increase of 25.9 per cent over 317.7 for the week ended April 1, 1989.

3.15 The capital market has been presenting a mixed trend during 1990-91. The primary market remained subdued till the end of the third quarter of the year and then made a smart recovery in the last quarter. Approvals for new issues granted by the CCI during the year at Rs. 12632 crores (including bonus shares) to 1146 companies was 4.6 per cent higher than Rs. 12076 crores granted to 1038 companies in 1989-90. Acutal issue of new shares and debentures (excluding bonus shares) in the market by 353 non-Government public limited companies (other than term lending institutions) during the year at Rs. 4130 crores marked a decrease of 36 per cent over the previous year's actual issue of Rs. 6473 crores. The buoyancy in the secondary stock market witnessed in 1989-90 continued unabated till around the middle of October 1990 when the RBI's All India Weekly Index Number of Ordinary Share Prices (Base : 1980-81=100) peaked to 654.2 on October 13,1990. Thereafter, the equity prices had shown a declining trend but recovered in the month of February 1991 and ruled easy upto the end of March 1991. The average of the Index for the year 1990-91 at 500, however, recorded a rise of 39.1 per cent over the 1989-90 level of 359.4. The boom in share prices witnessed till mid-October 1990 can be partly attributed to some strong contributing factors like encouraging corporate results, acceleration in the growth of industrial production since the last quarter of 1989-90, paucity of floating stocks of blue chip companies, mobilisation and deployment of large resources by the mutual funds and a substantial decline in the number and amount of new capital issues. The Gulf-crisis, and the not-so-bright outlook of industrial production in the following months are some of the factors which contributed to the dampening of share prices since October, 1990.

3.16 The tremendous growth of the capital market in recent years has thrown up some issues and problems which need to be tackled to ensure that the market functions in a healthy and orderly manner and sustains investors' confidence. With these objectives in view, a number of policy measures to regulate the capital market have been initiated by the Government in the past one year. The major regulatory measures initiated during 1990 in the fields of new issues, merchant banking, mutual funds and transactions in the secondary stock market are discussed in the following sections.

(i) *New Issues :*

3.17 Fresh guidelines were issued in April, 1990 stipulating that when new shares/debentures are issued by companies, allotment can be made only if 90 per cent of the amount issued is subscribed. Subscriptions received against rights/public issues will be kept in specified bank accounts and companies would not have access to such funds unless they have received an approval from the concerned regional stock exchange(s) for allotment. In July 1990, the Government released to the public the guidelines followed for the valuation of shares and fixation of premia with a view to bringing more transparency and openness in the system.

(ii) *Merchant Banking :*

3.18 With a view to bringing more transparency in the operations of Merchant Bankers, new guidelines on Merchant Banking have been issued by the Government in April, 1990. All merchant bankers must now obtain authorisation from the Securities and Exchange Board of India (SEBI) which has been entrusted with the task of supervising their activities.

3.19 In June 1990, guidelines regarding the cost of public issues were modified with the objective of enabling companies to make suitable payments to merchant bankers. The limits of 0.5 per cent and 0.2 per cent of fees payable to managers to the issue of equity and convertible debentures would be applicable for issues upto Rs. 25 crores (instead of Rs. 5 crores earlier) and for issues exceeding Rs. 25 crores (instead of issues exceeding Rs. 5 crores earlier), respectively.

(iii) *Mutual Funds :*

3.20 In June 1990, Government issued guidelines for the development and orderly functioning of Mutual Funds. All mutual funds except those established under statutes, shall be constituted as trusts, would require approval of the CCI and have to be registered with the SEBI. They should not, normally, invest more than 25 per cent of their assets in money market instruments, engage in term-lending and undertake investments in immovable property except for self-use. No mutual fund shall invest more than 5 per cent of its assets in the shares of any company and in more than 5 per cent of the total shares of any company under any one scheme. The maximum spread between the purchase and sale prices of units/shares of any scheme should not exceed 7 per cent of the sale price. They must distribute 80 per cent or more of the income earned during any year to the unit/share holders.

(iv) *Transactions in the secondary stock market*

3.21 In May, 1990, Government issued a set of guidelines in order to make the transactions in shares and debentures by All India financial and investment institutions more open and transparent.

3.22 With a view to preventing clandestine takeover bids and also to protect the interests of minority shareholders, Government amended Clause 40 of the Listing Agreement in May, 1990 by substituting it by Clauses 40-A and 40-B. Clause 40-A relating to substantial acquisition of shares, inter-alia, provides that a person shall not acquire 10 per cent or more of the voting rights in a company unless he notifies the Stock Exchange and fulfils conditions specified in Clause 40-B. The cut-off point for making a public announcement of take-over offer has been brought down from the earlier level of 25 per cent of the voting capital of a company to 10 per cent under the new Clause 40-B.

3.23 In June 1990, Government issued guidelines clarifying that all new shares should be traded and delivered for old shares provided that the new shares have been traded and delivered at least one day in the relevant settlement period with necessary adjustment for dividend.

Performances of Selected Basic Industries

Steel

3.24 There was a downslide in steel production in 1989-90. Production of saleable steel by the six integrated steel plants drifted from 9.21 million tonnes in 1988-89 to 9.03 million tonnes in 1989-90 because of lower performance by three Steel Authority of India (SAIL) plants of Durgapur, Rourkela and IISCO.

3.25 Aggregate production of saleable steel by the five integrated plants of SAIL during the year at 7.06 million tonnes was 2.8 per cent lower than the previous year's production of 7.26 million tonnes. (Table 3.8) SAIL could achieve only 90 per cent of its production target of 7.81 million tonnes. Labour unrest and shortages in the supplies of coal and power were the major factors which affected the production. The Seventh Five Year Plan had set a terminal year target of 9.73 million tonnes for the production of saleable steel by the integrated steel plants. Actual production in 1989-90 at 9.03 million tonnes fell short of the target by 7.2 per cent.

3.26 Estimated production of finished steel (including that of the secondary sector) during 1989-90 at 13 million tonnes was 1.2 per cent higher than the previous year's production of 12.84 million tonnes. More than 46 percent of the production of finished steel (6 million tonnes) has come from the secondary sector (mini steel plants) which is fast emerging as an important sector in steel production.

TABLE 3.8

Performance of Steel Sector

(Million Tonnes)

Item	1987-88	1988-89	1989-90	1990-91£	Percentage change 1988-89 / 1987-88	1989-90 / 1988-89	1990-91 / 1989-90
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Production of Saleable Steel by Main Producers :							
(a) SAIL	6.67	7.26	7.06	7.38	8.8	—2.8	4.5
(b) TISCO	1.92	1.95	1.97	1.95	2.6	1.0	—1.0
TOTAL	8.59	9.21	9.03	9.53*	7.2	—2.0	5.5
2. Production of Finished Steel :							
(a) Main Producers	6.57	7.09	7.00	7.19	7.9	—1.3	2.7
(b) Secondary Producers . . .	5.11	5.75	6.00	6.21	12.5	4.3	3.5
TOTAL	11.68	12.84	13.00	13.40	9.9	1.2	3.1
3. Production of Pig Iron by Main Producers	1.17	1.01	1.23	0.87	—13.7	21.8	29.3

£Provisional.

*Including 0.20 million tonnes by VSP.

3.27 There has been a modest recovery in steel production in 1990-91. Production of saleable steel by the seven integrated steel plants (including Visakhapatnam Steel Project (VSP) which commenced production in 1990-91) during the year at 9.53 million tonnes was 5.5 per cent higher than 9.03 million tonnes produced in the previous year. SAIL had improved its capacity utilisation from 81 per cent in 1989-90 to 84 per cent in 1990-91. TISCO's production slipped marginally by 1 per cent. Total production of finished steel (including that of the secondary sector) during 1990-91 estimated at 13.4 million tonnes was 3.1 per cent higher than the production of 13.0 million tonnes in 1989-90. As a major policy change, Government have now decided to encourage the production of steel in the secondary sector by licensing a few new units which are based on new energy saving technology and use of sponge iron in place of the conventional scrap iron.

3.28 Production of saleable pig iron by the main producers increased substantially during 1989-90. Production at 1.23 million tonnes during the year was 21.8 per cent higher than the production of 1.01 million tonnes in 1988-89. Demand for pig iron during 1989-90 was estimated at around 1.75 million tonnes. The gap in indigenous production was partly filled by imports estimated at 0.31 million tonnes.

3.29 There was a substantial fall in the production of saleable pig iron by the main steel plants in 1990-91. At 0.87 million tonnes, production during the year was lower by 29 per cent than the production of 1.23 million tonnes in 1989-90. All the SAIL plants except IISCO in accordance with the plan for the year, curtailed their production of pig iron in order to concentrate more on the production of higher value added steel items than on uneconomic production of pig iron. Demand for pig iron during 1990-91 was estimated at 1.85 million tonnes. The gap in indigenous production was partly filled by imports estimated at 0.17 million tonnes. Government have decided to permit production of pig iron in the secondary sector. With more pig iron units coming up in the secondary sector, it is expected that the pressure on integrated steel plants would be reduced.

Cement

3.30 There was a mild deceleration in the growth of cement production in 1989-90. Production during the year at 45.79 million tonnes recorded a growth of only 3.4 per cent over the previous year's production of 44.29 million tonnes. The industry had achieved a record growth of 11.9 per cent in 1988-89 (Table 3.9). The limited growth in cement production during 1989-90 was contributed by large size plants in the private sector, while the large size plants in the public sector just maintained the previous year's level of production.

TABLE 3.9

Production Performance of Cement Sector

(Million Tonnes)

Plants	1987-88	1988-89	1989-90	1990-91£	Percentage change 1988-89 / 1987-88	Percentage change 1989-90 / 1988-89	Percentage change 1990-91 / 1989-90
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Large Size Plants :							
(i) Public Sector	5.11	5.29	5.29	4.96	3.5	No ch.	—6.2
(ii) Private Sector	32.32	36.47	37.68	40.81	12.8	3.3	8.3
2. White/Mini Cement Plants . . .	2.16	2.53	2.82	3.09	17.1	11.5	9.6
TOTAL	39.59	44.29	45.79	48.86	11.9	3.4	6.7

£Provisional.

3.31 The Seventh Plan had targeted the installed capacity and production of cement in the terminal year of the Plan at 62 million tonnes and 49 million tonnes respectively. Actual production in 1989-90 at 45.79 million tonnes fell short of the Plan target by 6.6 per cent. The installed capacity of the industry at the end of March 1990 at 61.85 million tonnes (57.03 million tonnes in large plants and 4.82 million tonnes in white and mini plants) was marginally lower than the target. However, the country has not only achieved selfsufficiency in cement production but also exported some limited quantities in 1989-90.

3.32 Cement production during 1990-91 at 48.86 million tonnes was 6.7 per cent higher than the production of 45.79 million tonnes in the previous year. The increase in production has come entirely from the large scale plants in the private sector and the mini and white cement plants. Production by public sector cement plants declined by 6.2 per cent.

3.33 An additional capacity of 3.0 million tonnes in large scale plants was added by the cement industry during 1990-91, raising the total installed capacity in large plants to 60.03 million tonnes per annum including 2.2 million tonnes under trial run.

Fertilizers

3.34 Production of chemical fertilizers (Nitrogenous and Phosphatic) declined by 4.8 per cent from 8.96 million tonnes in 1988-89 to 8.53 million tonnes in 1989-90. The fall was entirely due to a severe set-back in the production of phosphatic fertilizers, which declined by 20.4 per cent from 2.25 million tonnes in 1988-89 to 1.79 million tonnes in 1989-90. Inadequate availability of imported phosphoric acid was the main reason for the shortfall. Production of nitrogenous fertilizers at 6.74 million tonnes, however, recorded a nominal growth of 0.4 per cent over the previous year's production of 6.71 million tonnes (Table 3.10).

3.35 The Seventh Plan had set the terminal year production targets of nitrogenous and phosphatic fertilizers at 6.56 million tonnes and 2.2 million tonnes respectively. Actual achievement in 1989-90 marginally exceeded the Plan target in the case of nitrogenous fertilizers, but fell short of the target in the case of phosphatic fertilizers. Installed capacity of the fertilizer industry in 1989-90 remained at the previous year's levels of 8.15 million tonnes of nitrogenous and 2.7 million tonnes of phosphatic fertilizers. The overall capacity utilisation of the industry declined from 82.6 per cent in 1988-89 to 78.7 per cent in 1989-90. Total offtake of fertilizer in 1989-90 at 11.69 million tonnes (including 1.18 million tonnes of potassic fertilizers) was less than the target of 12.0 million tonnes.

TABLE 3.10

Production Performance of Fertiliser Sector

(Thousand Tonnes)

Product	1987-88	1988-89	1989-90	1990-91£	Percentage change 1988-89 / 1987-88	1989-90 / 1988-89	1990-91 / 1989-90
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Nitrogenous :	**5466.0**	**6712.4**	**6742.3**	**6993.1**	**22.8**	**0.4**	**3.7**
(i) Public Sector	2649.8	3080.9	2882.3	2873.0	16.3	—6.4	—0.3
(ii) Private Sector	1615.4	2041.7	2209.8	2398.0	26.4	8.2	8.5
(iii) Co-operative Sector	1200.8	1589.8	1650.0	1722.1	32.4	3.8	4.4
2. Phosphatic :	**1665.0**	**2251.6**	**1791.6**	**2045.1**	**35.2**	**—20.4**	**14.1**
(i) Public Sector	510.0	670.6	435.6	510.9	31.5	—35.0	17.3
(ii) Private Sector	865.8	1284.7	1132.3	1301.1	48.4	—11.9	14.9
(iii) Co-operative Sector	289.2	296.3	223.1	233.1	2.5	—24.5	4.2
TOTAL (1+2)	**7131.0**	**8964.0**	**8533.7**	**9038.2**	**25.7**	**—4.8**	**5.9**

£Provisional.

3.36 The fertilizer industry has performed much better during the financial year, 1990-91. Total production of nitrogenous and phosphatic fertilizers during the year at 9.04 million tonnes was 5.9 per cent higher than the production of 8.53 million tonnes in the previous year. Production of nitrogenous fertilizers increased by 3.7 per cent from 6.74 million tonnes to 6.99 million tonnes and that of phosphatic fertilizers by 14.1 per cent from 1.79 million tonnes to 2.05 million tonnes. Bulk of this increase in the production of nitrogenous fertilizers has come from the private sector fertilizer plants which increased their production by 8.5 per cent from 2.21 million tonnes in 1989-90 to 2.40 million tonnes in 1990-91. The co-operative sector plants increased their production by 4.4 per cent. But, there was a marginal decline in the production of nitrogenous fertilizers by the public sector plants. However, in the production of phosphatic fertilisers, the public sector plants also performed equally well. The phenomenal increase in the production of phosphatic fertilizers in 1990-91 was primarily due to a lower base level production in the previous year on account of the short supply of phosphoric acid. The availability position of imported phosphoric acid was slightly better in 1990-91 although fell short of the normal requirement. The installed capacity of the fertiliser industry in 1990-91 remained more or less at the previous year's level of 8.15 million tonnes of nitrogenous and 2.75 million tonnes of phosphatic fertilisers. The increase in the production of fertilisers during the year was entirely the result of better capacity utilisation by the existing plants. The overall capacity utilization of the fertilizer industry had improved from 78.4 per cent in 1989-90 to 83.0 per cent in 1990-91. Targets set for the production of nitrogenous and phosphatic fertilizers for 1990-91 at 7 million tonnes and 2 million tonnes respectively were achieved.

Small Scale Industries

3.37 The small scale sector has been assigned an important role in the industrial development of the country on account of its inherent advantages like lower capital intensity and higher employment generation potential relative to large scale industries. Besides, the sector promotes decentralisation and regional dispersal of industrial activity and help widening the entrepreneurial base. The main thrust of the policy packages for the promotion of small scale industries in recent years has been on modernisation and technological upgradation.

3.38 In order to promote a quick and smooth development of small scale industries, an institutional framework has been created along with an attractive package of incentives and concessions which have been evolved to motivate and encourage a new generation of entrepreneurs. Major components of the package include concessional finance, concessions in central excise duty, marketing support through reservation of a large number of products for exclusive manufacture in the small scale sector and for exclusive/partial purchase from small scale units by Government Departments and Public Sector Undertakings, hire purchase facility for machinery, technical consultancy services, common facility services, testing facilities, industrial accommodation, supply of critical raw materials and provision of other infrastructural facilities.

3.39 Small scale industries continued to maintain good progress in 1989–90. The number of small scale units is estimated to have increased from 17.12 lakhs in 1988–89 to 18.26 lakhs (provisional) at the end of 1989–90 showing an increase of 6.7 per cent. The number of units is estimated to have further increased to 19.40 lakhs (provisional) at the end of December 1990. Employment in the sector is provisionally estimated to have increased from 113.0 lakh persons in 1988-89 to 119.6 lakh persons in 1989-90 marking an increase of 5.8 per cent. The employment is estimated to have increased to 126.26 lakh persons (provisional) by December 1990. Estimated value of production in the small scale sector in 1989-90 at Rs. 91,681 crores (provisional) (at 1984-85 prices) has shown an increase of 11.3 per cent over Rs. 82,400 crores in 1988-89. During the period April—December 1990, production in the sector provisionally estimated at Rs. 116,500 crores (at current prices) shows an increase of 10 per cent over the corresponding period of the previous year. Direct exports from the small scale sector have shown a significant increase from Rs. 4373 crores in 1987-88 to Rs. 5490 crores in 1988-89. Provisional data collected from the various Export Promotion Councils show that exports by the small scale sector at current prices amounted to Rs. 7626 crores in 1989-90. Considering the fact that the small scale sector is a resource agency for a large number of export-houses engaged in direct exports, it could be assumed that the actual contribution of the sector for exports is much higher than what is reflected in the data on direct exports by the sector.

3.40 Important policy measures initiated during 1990–91 for the development of small scale industries are :

(1) Commencement of operation by Small Industries Development Bank of India (SIDBI),

(2) Liberalisation of the Single Window Scheme introduced in 1988,

(3) Liberalisation of central excise exemption scheme for small scale industries, and

(4) Raising of ceiling on investment in plant and machinery for small scale industries.

3.41 With a view to promoting the industrial economy of the country in a harmonious manner, Government raised, with effect from April 2, 1991, ceiling on investment in plant and machinery of small-scale industries from Rs. 35 lakhs to Rs. 60 lakhs. The investment limit would be Rs. 75 lakhs for ancillary units and small scale units which undertake to export at least 30 per cent of the annual production by the end of the third year from the date of commencement of production. Some modification is also effected in the definition of ancillary industrial undertakings.

3.42 SIDBI, an apex bank with headquarters at Lucknow set up for financing small scale industries became operative from April 2, 1990. The bank has a portfolio of Rs. 4200 crores. It has a network of 26 regional and branch offices spread over all the States and Union Territories. The main thrust of the bank will be on new initiatives for simplification of the existing schemes and procedures, introduction of new schemes to fill the gaps in the existing system, extension of support services for the healthy growth of small scale industries, technological upgradation and modernisation of existing units and strengthening of the credit delivery mechanism so as to facilitate adequate and timely flow of credit assistance to the sector. The bank has proposed several new schemes to tackle the two major problems experienced by small scale and tiny industries, viz., inadequacy of marketing channels and delay in receipt of sale proceeds. It also proposes to provide factoring services to small scale sector.

3.43 The Single Window Scheme has been liberalised by raising the eligibility limits of project cost and working capital from Rs. 5 lakhs and Rs. 2.5 lakhs to Rs. 10 lakhs and Rs. 5 lakhs respectively in order to ensure the availability of credit to the smaller amongst the small scale units from a single agency, namely, State Financial Corporations (SFCs) and twin-function State Industries Development Corporations (SIDCs).

3.44 The turnover limit for exemption from central excise duty for small scale units has been enhanced from Rs. 15 lakhs to Rs. 20 lakhs in 1990-91 for units manufacturing a single item/product. The licensing limit has also been enhanced from Rs. 10 lakhs to Rs. 15 lakhs and the procedure for obtaining the licence has been simplified.

3.45 The District Industries Centre (DIC) Programme, initiated in 1978 as a centrally sponsored scheme to provide support services to small scale entrepreneurs in the widely dispersed rural areas and small towns, continued to be in operation during the year.

3.46 The scheme for providing self-employment opportunities to educated unemployed youth in the country continued during the entire period of Seventh Plan. The scheme covers educated unemployed youth in the age group of 18 to 35 years and provides financial assistance to them to start their own ventures in industry, services and small business. The loan limit for industrial ventures is Rs. 35,000 while it is Rs. 25,000 for service ventures and Rs. 15,000 for trade. Only youth belonging to families having an income upto Rs. 10,000 per annum are eligible for assistance. Under the scheme, 30 per cent of total sanctions have been reserved for scheduled castes and scheduled tribes. During 1988-89, as against a target of 2.50 lakh beneficiaries, 3.11 lakh cases were sponsored to banks, out of which 1.92 lakh cases were sanctioned involving a total financial assistance of Rs. 404.61 crores. A target of 1.25 lakh beneficiaries was fixed for 1989-90. As against this target, 1.84 lakh cases were recommended to banks which have sanctioned 1.07 lakh cases involving a total financial assistance of Rs. 224.83 crores.

3.47 The modernisation and technological upgradation programme was introduced by the Government with the basic objective of assisting small scale units in product development, technology upgradation, improvement in the process of manufacture, and testing and quality control. The coverage of the programme was initially limitedto a few selected groups of industries. Now, all small scale industries qualifying for modernisation are covered under the programme. The scheme is implemented through the field offices of the Small Industries Development Organisation (SIDO). Upto March 1991, 907 units have registered themselves under the modernisation programme for getting in-plant studies conducted.

3.48 The first National Census of registered small scale industrial units was conducted in 1973-74 with 1972 as the reference year. In order to meet the gap in the availability of data, SIDO has launched the second All India census of small scale industrial units falling within its purview and registered with the State/ UT Directorates of Industries upto 31-3-1988. About 10 lakh units are expected to be covered during the census for collecting basic information like investment, employment, capacity, production, exports, etc. The census would help in building up the much needed data base for the small scale sector, essential for the proper planning of the programmes for the development of the sector.

3.49 The census is being conducted with the active assistance of the State/UT Governments. About 99 per cent of the field work of the census has been completed by the end of March 1991. The work of preparing the data which are being processed through computer by the National Informatics Centre has started concurrently with the field work in most of the States/UTs.

Khadi and Village Industries

3.50 Khadi and village industries constitute an important segment of the industrial economy of the country. Performance of this sector continued to show considerable improvement during 1989-90. The estimated production of the khadi and village industries during the year was of the order of Rs. 1963 crores compared with Rs. 1680 crores in 1988-89. The level of employment in the sector in 1989-90 was 46 lakhs as against 43 lakhs in the previous year. The sector was expected to provide employment to about 50 lakh persons during 1990-91. At present, apart from khadi, there are 96 village industries coming under the purview of Khadi and Village Industries Commission.

Industrial Policy

3.51 The initiatives taken in the past few years to reform the overall industrial policy regime to make it more conducive to the promotion of technological upgradation, cost-efficiency, competitiveness, freedom of investment, maximisation of capacity utilisation and exports continued in operation during the period under review. Further liberalisation of the regulatory framework announced during the period are.

(1) Guidelines for licensing of new sugar factories and expansion of existing ones were revised in July, 1990. Under the new guidelines the minimum economic capacity will continue to be 2500 tonnes cane crushed per day for new sugar factories. There will be no maximum limit and no relaxation for backward areas. The distance criteria has been relaxed and new sugar factories will now be licensed if there is no sugar factory within a radial distance of 15 kms.

(2) Minimum economic capacity was fixed for jelly-filled telecommunication cables at 12 lakh CKM per annum.

(3) In accordance with the policy measures initiated for the diversification of the use of jute, full fibre flexibility is now allowed for jute and textile mills. Jute

mills can use other fibres like cotton, synthetic and wool and the yarn made out of these fibres, and textile mills can use jute fibres and yarn for the manufacture of various jute products except the traditional jute packaging materials like sacking, hessian, jute twine and jute rope. Manufacture of these additional items will be allowed within the existing permitted/licensed capacity.

(4) In June 1990, the Government issued a new comprehensive set of guidelines simplifying the procedure for the licensing of steel units in the secondary sector. Under the new policy, Electric Arc Furnace (EAF) units may expand to the floor level minimum economic scale (MES) capacity of 1.5 lakh tonnes per annum of steel ingots/concast/billets/blooms/slabs subject to certain conditions regarding power availability, energy efficiency of the EAF, minimum level of sponge iron in the charge mix, etc. Existing sponge iron units are allowed to make downstream products like rolled products within an overall capacity ceiling of 2.5 lakh tonnes per annum. EAF units are allowed to diversify their production into any grade and type of steel within their overall licensed capacity. Steel making by Blast Furnace/Basic Oxygen Furnace route will also be allowed for the expansion of existing units to MES levels. In order to meet the projected demand for steel in the Eighth and Ninth Plans, it has been decided to encourage steel production in the secondary sector by licensing a few new units in the private/joint/assisted sector, with unit capacity of upto 1 million tonnes per annum.

Industrialisation of Backward Areas

3.52 With a view to facilitating a speedy dispersal of industrial growth to backward areas, Government continue to give direct physical incentives in the form of a location-specific deregulation of industries favouring backward areas. Seventy-two industries were delicensed for MRTP/FERA companies if units are set up in notified backward areas. Investment limit for industries exempted from licensing for non-MRTP and non-FERA companies has been kept at a higher level of Rs. 50 crores for backward areas as against Rs. 15 crores for other areas. Available investment indicators do not depict a clear picture of the investment flow to the backward areas. In 1989-90, as compared with the previous year, there was an increase in the number of industrial licences issued and registrations granted to exempted and delicensed industries for backward areas but there was a fall in the number of letters of intent issued and DGTD registrations granted for such areas (Table 3.7). Available evidences do not substantiate the efficacy of the new location policy in dispersing incremental industrial investment to backward areas.

New Growth Centre Scheme

3.53 One of the impediments in industrialisation of backward areas is the lack of adequate infrastructural facilities. For promoting industrialisation of backward areas in an effective manner, it was announced in 1988 that the focus would henceforth be on the development of growth centres that would act as magnets for attracting industries to these areas. The growth centres would be endowed with infrastructural facilities at par with the best available in the country, particularly in respect of power, water, telecommunications and banking. It has been decided to develop 70 growth centres during the Eighth Plan. These have been allocated to the States and Union Territories based on three criteria namely population, area and industrial backwardness as measured by inverse ratio of number of factory workers to total population. Each growth centre would be provided with funds to the tune of Rs. 25 to 30 crores from different sources. So far, locations of 60 growth centres have been identified and notified.

3.54 Detailed guidelines for the preparation of project reports for the growth centres have been formulated and circulated to the State Governments/UT Administrations. These guidelines have been framed keeping in view the area planning approach so that the surrounding areas and hinterland are also benefited from the industrial growth process. The project reports will include the organisational, administrative, financial, developmental, promotional and monitoring aspects of the growth centres alongwith a cost-benefit analysis. An administrative mechanism has been established in the Department of Industrial Development for appraisal of the project reports received from the State Governments and UT Administrations.

Industrial Sickness

3.55 At the end of December 1988, the latest period for which data are available, there were more than 2.4 lakh identified sick industrial units (including weak units) on the rolls of All India financial institutions and commercial banks, involving an outstanding bank credit of Rs. 7705 crores which was about 9.8 per cent of the total outstanding bank credit. Between end-December 1987 and end-December 1988, the number of sick units had gone up by 17.7 per cent and the outstanding bank credit against these units, by 23.2 per cent (Table 3.11). Although sickness has grown faster in the SSI sector in terms of number of units, in terms of outstanding bank credit it was faster in the non-SSI sector. More than 72 per cent of the bank credit outstanding in the accounts of sick industrial units as on end-December 1988 was in non-SSI sick and weak units.

TABLE 3.11

Industrial Sickness

Category	No. of Units			Amount Outstanding (Rs. crores)		
	End December 1986	End December 1987	End December 1988	End December 1986	End December 1987	End December 1988
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. SSI Sick Units	145776 (21.9)	204259 (40.1)	240573 (17.8)	1306.10 (22.0)	1797.31 (37.6)	2141.00 (19.1)
2. Non-SSI Sick Units	1964 (7.7)	1119 (—43.0)	1241 (10.9)	3568.39 (11.5)	2801.79 (—21.5)	3387.30 (20.9)
3. Non-SSI Weak Units	—	720	770 (6.9)	—	1657.30	2177.00 (31.4)
TOTAL	147740 (23.5)	206098 (39.5)	242584 (17.7)	4874.49 (14.1)	6256.40 (28.3)	7705.30 (23.2)

NOTE :—Figures in parentheses indicate the percentage change over the previous year.

3.56 The viability status of the identified sick and weak industrial units as on end-December 1988 shows that 93 per cent of the sick SSI units involving an outstanding bank credit of Rs. 1551 crores and 44 per cent of the non-SSI sick and weak units involving an outstanding bank credit of Rs. 1867 crores were not viable for revival (Table 3.12). About 60 per cent of the viable SSI sick units and 62 per cent of the viable non-SSI sick and weak units had been brought under nursing programme till the end of December, 1988.

TABLE 3.12

Viability Position of Sick/Weak Units—End December, 1988

(Rs. crores)

Category	Sick SSI Units		Non-SSI Sick & Weak Units		Total	
	No.	Outstanding Bank Credit	No.	Outstanding Bank Credit	No.	Outstanding Bank Credit
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Viable units	13033 (5.4)	471.92 (22.0)	679 (33.8)	2419.83 (43.5)	13712 (5.7)	2891.75 (37.5)
2. Non-viable units	224080 (93.2)	1550.81 (72.5)	889 (44.2)	1867.07 (33.6)	224969 (92.7)	3417.88 (44.4)
3. Viability not decided	3460 (1.4)	118.27 (5.5)	443 (22.0)	1277.40 (22.9)	3903 (1.6)	1395.67 (18.1)
4. Total	240573 (100.0)	2141.00 (100.0)	2011 (100.0)	5564.30 (100.0)	242584 (100.0)	7705.30 (100.0)
5. (a) Units under nursing programme	7788	361.17	418	1603.40	8206	1964.57
(b) As percentage of viable units	(59.8)	(76.5)	(61.6)	(66.3)	(59.8)	(67.9)

NOTE : Figures in brackets show percentage to total.

3.57 Policy measures initiated earlier by the Government and the Reserve Bank of India for the revival of sick industrial units as well as to check the growing incidence of industrial sickness continued to be pursued during the period under review. Some of the fresh guidelines issued by the RBI to scheduled commercial banks regarding the revival of sick units during the period are:

(1) Banks have been advised that the inter-se agreement among banks financing a healthy unit under consortium arrangement should provide for a clause to the effect that in case the unit turns sick, banks would be required to participate in the rehabilitation package in accordance with the instructions issued by the RBI.

(2) In the case of sick units where workers are interested in taking over the management by forming workers' co-operatives, banks have been advised to actively support the rehabilitation packages.

(3) While banks have been advised by the RBI, time and again, that they cannot dissociate themselves from rehabilitation of sick/weak industrial units, they are now given the option of selling their debts in respect of a sick unit to other willing banks at a discount as per the guidelines issued by the RBI.

(4) It has been decided that existing/additional facilities provided to sick/weak units under rehabilitation packages could be exempt from the application of the existing ceilings prescribed under the prudential norms of single group exposure limits.

(5) The present system of prior approval by the RBI for extending reliefs/concessions beyond the parameters fixed by it has been withdrawn for the grant of reliefs/concessions as part of the packages evolved for the rehabilitation of sick/weak units.

3.58 The setting up of the Board for Industrial and Financial Reconstruction (BIFR), a statutory body under the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) was a major step taken by the Government towards the rehabilitation of sick industrial units. BIFR became operative in 1987. Since its inception, upto the end of March 1991, it has received 1382 references under Section 15 of the Act. Of these references, 353 were rejected after initial scrutiny, 9 were under scrutiny and 1020 were registered. Of the registered cases, 954 have come up for the first hearing. After hearing, 175 cases were dismissed as not maintainable and 124 cases were approved under Section 17(2) after being satisfied that the company can make its net-worth positive on its own within a reasonable time. In the remaining 661 cases, operating agencies were appointed in respect of 533 cases under Section 17(3) of the Act. After considering the reports received from the operating agencies and further hearings, the Board sanctioned 182 revival schemes (including merger, change of management and leasing), recommended 120 cases to the concerned High Court for winding up, and ordered the sale of one unit. In addition, draft schemes were formulated in 45 cases and winding up opinion formed in 76 cases. The ratio of companies in the revival path to those on the road to liquidation works out to 1.8:1.

3.59 The scheme for the grant of excise loan to sick/weak industrial units announced by the Government in October 1989 has become operational. The scheme was further liberalised in September 1990 for sick industrial units employing more than 1000 workers and recommended by the BIFR for excise relief as part of an approved rehabilitation package. These units will be eligible for excise loan not exceeding 50 per cent of the excise duty actually paid for 5 years from the date of approval of the rehabilitation package subject to a ceiling of 33 per cent of the total cost of the rehabilitation.

Industrial Relations

3.60 Industrial relations situation was by and large stable in 1989-90. The number of mandays lost due to strikes and lockouts over industrial disputes declined from 29.10 millions in 1988-89 to 28.25 millions in 1989-90. According to the provisional data available, mandays lost in the first two quarters of 1990-91 was substantially lower than in the corresponding period of 1989-90.

Industrial unrest in general, has been confined to cotton and jute textiles and engineering industries in the States of Andhra Pradesh, Maharashtra, West Bengal and Tamil Nadu.

TABLE 3.13

Mandays Lost on Account of Strikes and Lockouts

(In millions)

Quarter	1988-89	1989-90*	1990-91*
I	7.39	10.82	4.76
II	7.98	7.03	3.28
III	7.03	5.88	...
IV	6.70	4.52	...
TOTAL . . .	29.10	28.25	

* Provisional

... Not available

Outlook

3.61 Due to pressures on the balance of payments, Government had to impose certain restrictions on imports of capital goods, raw materials and components for the industry. In spite of these difficulties the momentum of industrial growth has been nearly maintained during 1990-91. The growth in industrial production has shown considerable acceleration in the first eleven months of 1990-91, which is mainly attributable to a better performance by the manufacturing sector compared with that of 1989-90. However, there was a sharp deceleration in industrial growth in the last month of 1990-91, pushing down the overall industrial growth for the year to a lower level of 8.4 per cent. The two infrastructural sectors, mining and electricity, have shown some deceleration. Restrictions on imports, supply shortages of energy sources and several credit squeeze measures undertaken by the Government may put a constraint on the growth of output in the manufacturing sector. There is an urgent and compelling need for some concerted and time-bound effort by the Indian industry to conserve energy by improving the efficiency of energy use and to augment export earnings by concentrating on export production and marketing.