7

INDUSTRIAL POLICY AND DEVELOPMENT

The industrial sector surged ahead in 1995-96 registering a growth of 12 per cent in April-September 1995 following an impressive growth of 8.6 per cent in 1994-95. The capital goods sector has emerged as an important contributor to the recent industrial recovery, with a growth rate of 27.4 per cent during April-September 1994 and 14.3 per cent in April-September 1995. Consumer durables are also performing well with a growth of 28.1 per cent during April-September 1995. Within the broad group of manufacturing sector - food products, basic metals and alloys, metal products and parts, non-electrical machinery and transport equipment have done very well. Within individual industries - sugar, commercial vehicles, ship building (including repairs), iron ore, penicillin—have shown a robust growth.

Industrial Policy Reforms

2. The major policy changes initiated in the industrial sector since July 1991 include removal of entry barriers, reduction of areas reserved exclusively for public sector, rationalisation of the approach towards monopolistic and restrictive practices, liberalization of foreign investment policy, far reaching liberalization of import policy with respect to intermediate and capital goods, measures to bring about regional balance, especially the development of backward areas and encouraging the growth of employment intensive small and tiny sector. Box 7.1 summarizes major industrial policy changes brought about since mid 1991. Box 7.2 summarises the extent of permissible foreign equity under the liberalised foreign investment regime.

3. The industrial and other economic reforms pursued since the middle of 1991 has brought to fore the competitive strength and resilience of the industrial sector. After a brief spell of restructuring and consequent lower growth rates, the industrial sector has been growing at very impressive rates. This allays all fears that once the economy opens up, the Indian industrial sector will not be able to withstand the competition from other countries. Despite significant opening up of the economy (viz. substantial lowering of customs duties, pursuing a liberal foreign investment policy, permitting transnational corporations to operate freely) the

Box 7.1
Reforms in Industrial Sector

- The number of items, in respect of which industrial licensing remains, reduced to 15. These industries account for only 15 per cent value added in manufacturing sector.
- The number of industries reserved for the public sector reduced to 6,viz. defence products, atomic energy, coal and lignite, mineral oils, railway transport, minerals specified in the schedule to the Atomic Energy Order 1953. Private participation in some of these sectors is also permitted on a case by case basis.
- More and more private initiative encouraged in the development of infrastructure like power, roadways, telecommunication, shipping and ports, airports and civil aviation etc.
- The manufacture of readymade garments - an item reserved for exclusive manufacture by the ancillary/small scale industrial undertakings opened to large scale undertakings, subject to an export obligation of 50 per cent and investment limit of Rs.3 crore.
- Automatic approval of foreign investment upto 51 per cent and foreign technology agreements permitted for 35 priority industries which account for about 50 per cent value added in the manufacturing sector.
- Foreign investment has also been liberalized in many other sectors (details are given in Box.7.2)

Box 7.2
Extent of permissible foreign equity by NRIs/OCBs/FIs/FIIs

Areas of Investment	NIRs/OCBs/PIOs	FIs/FIIs
Ia) 35 High priority industries	100% equity, repatriable, automatic approval by RBI.	51% equity, repatriable, automatic approval by RBI
b) Export/Trading/Star trading House	Investment upto 40% Scheme:	
c) Hotels & Tourism related industry	Non Residents of Indian Nationality or origin are allowed to invest in New Issues of new and existing companies, raising capital through a public issue, with prospectus, upto 40% of the New Capital Issue, with full repatriation benefits of capital invested and income earned on it, provided it is a manufacturing activity. Investment may also be made in the capital raised by a private limited company other than through a new public issue.	
2. 100% EOUs and units in FTZ and EPZ	100% equity, automatic approval by SIA/DC (EPZ)	100% equity, adtomatic approval by SIA/DC (EPZ)
3. Sick industries	100% private placement prior approval by RBI	
4. Mining	50% automatic approval	50% automatic approval
5. Telecommunications	upto 49% with approval	49% with approval
6. Power	upto 100% with approval	100% with approval
7. Medical clinics, Hospitals, Shipping, Oil exploration, Deep-sea fishing, Ind. with licenses	upto 100% equity, repatriable, prior approval by SIA	case by case prior approval by SIA, even up to 51%
8. Industries reserved for SSI	upto 24%, repatriable prior approval by SIA, export obligations	upto 24% equity prior SIA approval export obligations
9. Housing, real estate, business centres, infrastructural facilities.	100% equity on repatriation basis, automatic approval	ownership of company property allowed
10. Portfolio Investment (Inv. in shares & debentures)	individual ceiling 1%, collective ceiling 5%, relaxable to 24% by General Body Resolution	Foreign Institutional Investors are permitted to invest subject to the ceiling of 5% for individual FIIs and 24% collective investment ceiling applicable to FIIs, NRIs including OCBs.
12. a) Govt. securities b) Units in UTI c) Public sector mutual funds b) Private sector mutual funds	NRIS/OCBS and PIOs are permitted to invest now on a repatriable basis either in the Units of UTI or in Mutual Funds floated either by public sector or private sector financial institutions and both through primary and secondary market.	Investment in units of UTI, Mutual Funds floated by public sector or private sector financial institutions is permitted only to FIIs.

NRIs= Non-resident Indians,
OCBs= Overseas Corporate Bodies,
FIIs= Foreign Institutional Investors.

PIOs= Persons of Indian origin
FIs= Foreign Investors
SIA= Secretariat for Industrial approvals

EOU=Export Oriented Unit
EPZ=Export Processing Zone
FTZ=Free Trade Zone

Figure 7.1

RATES OF CHANGE OF INDUSTRIAL PRODUCTION

1980-81 = 100

PER CENT

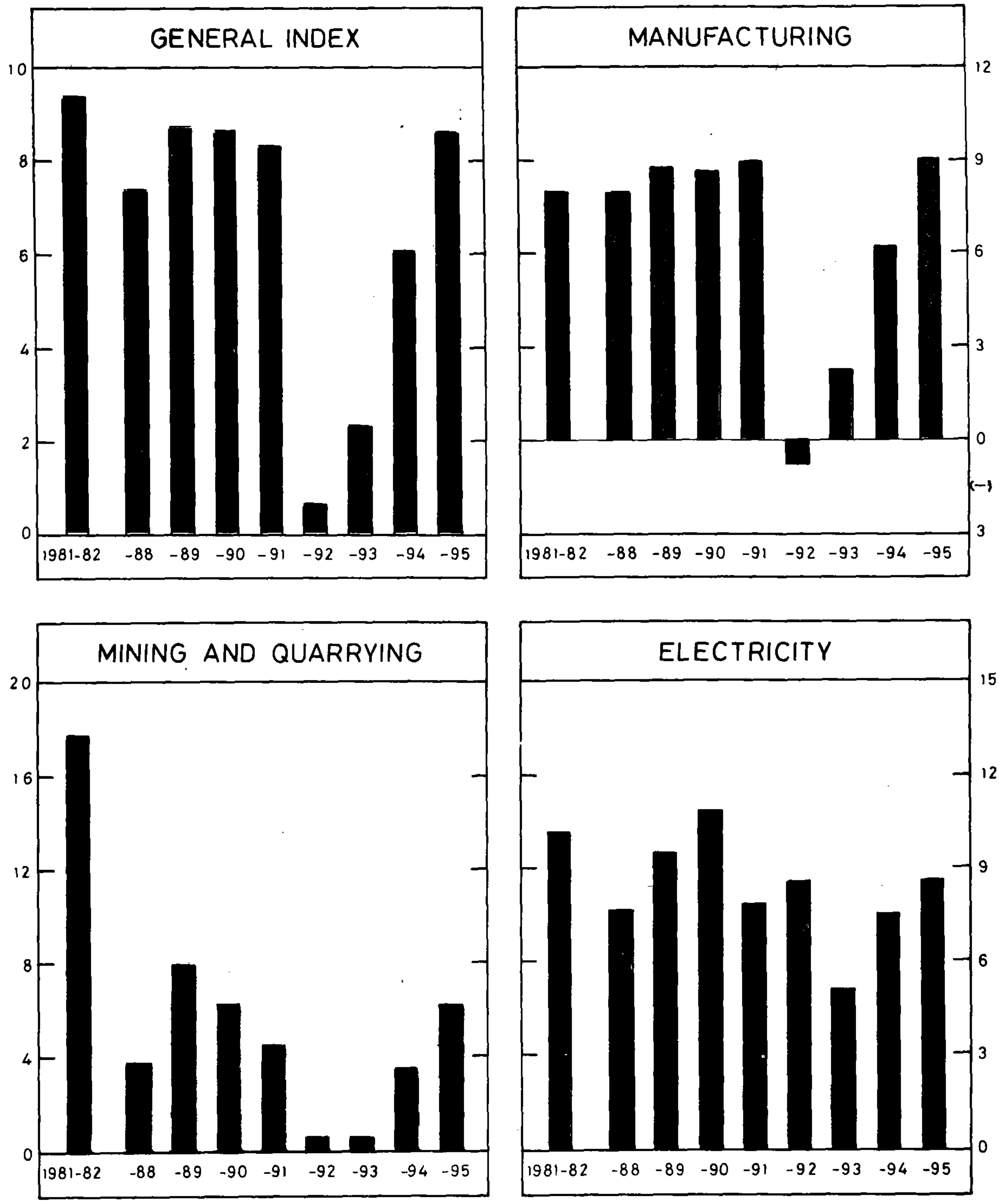
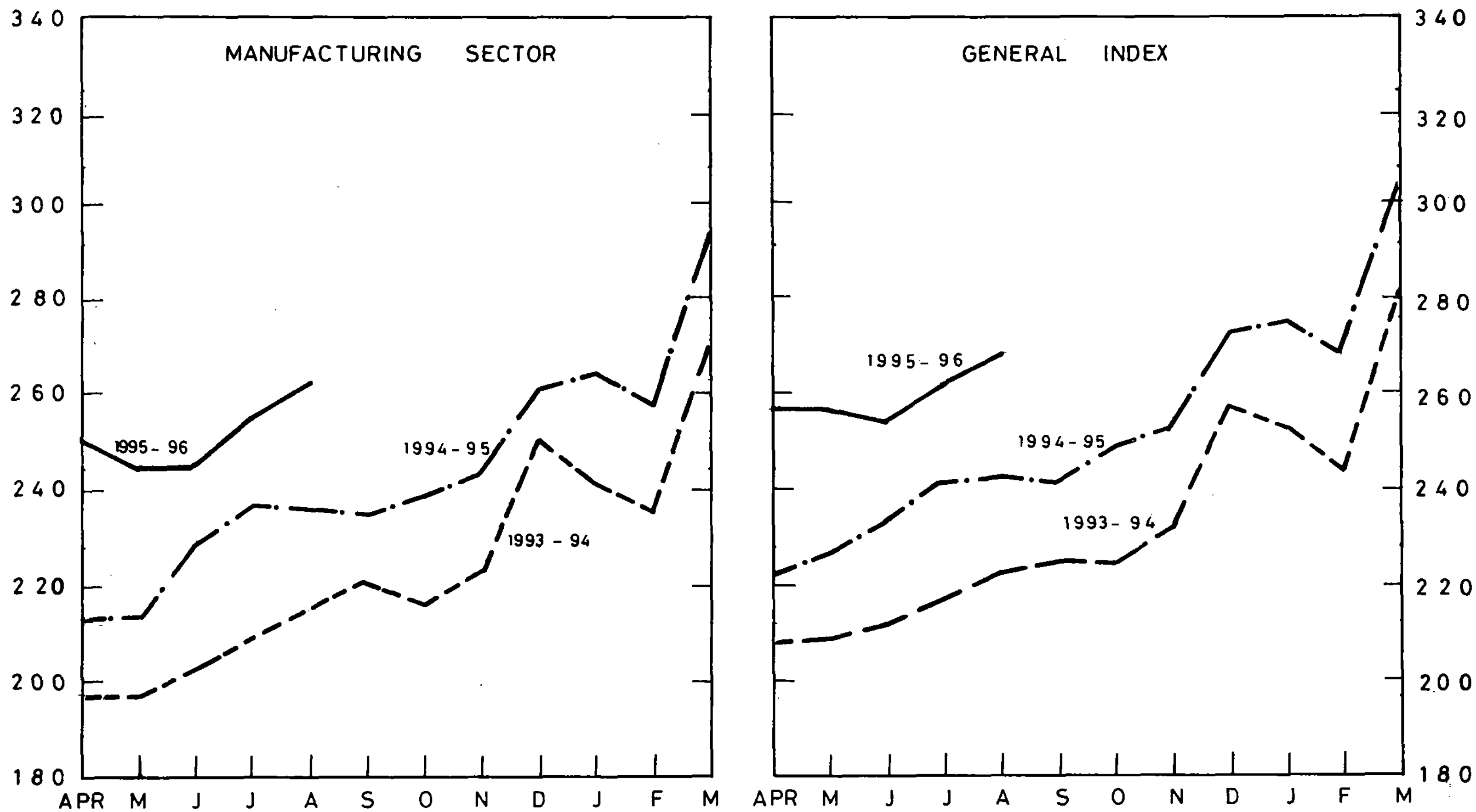


Figure 7.2

MONTHLY INDICES OF INDUSTRIAL PRODUCTION

1980–81 = 100



Indian industry is growing at very impressive rates. These rates are comparable with the rates of growth achieved in pre-liberalisation era. High growth rates and diversification of manufactured exports are also a testimony to India's competitive strength. The average rate of growth of manufactured exports in dollar terms in the last three (1992-93 - 1994-95) years has been significant at 16.1 per cent/per annum and compares very well with average growth of overall exports at 14.1 per cent.

4. In recent years, many state governments have undertaken significant procedural and policy reforms. In line with the liberalisation undertaken by the Centre, most of the state governments have initiated reforms for promoting foreign investment, encouraging private participation in the development of ports, power generation, and the development and management of industrial estates, restructuring of District Industrial Centres and removing artificial barriers within states. Other reform measures include decentralisation of decision making, time bound clearance of projects and initiatives relating to privatisation and closer of loss making state public sector enterprises. In keeping with India's federal structure, a number of investment incentives are also provided by the State Governments in addition to the benefits offered by the Central Government. While the incentive package varies from one state to another, depending upon its investment priorities, the package generally include an investment subsidy, tax breaks, exemption/deferment of sales tax and other duties, and power tariff concessions. Box 7.3 highlights some of the reforms undertaken by the States and initiatives taken by them for the implementation of new industrial policy.

5. Complementary to industrial policy changes, significant transformation has been brought about in monetary, fiscal and external sector policies. The changes include transition to market determined exchange rates and interest rates, removal of physical control on imports, rationalization and reduction of taxes and duties to enhance competitiveness of Indian industries.

Pattern of Industrial Growth

6. Table 7.1 shows trends in growth rates of overall Index of Industrial Production (IIP) its three major components viz. Mining, Manu uring and Electricity Generation. In the second h... of eighties both Electricity Generation and Mining tended to show a slower growth, with mining indicating a more pronounced decline. The manufacturing sector on the other hand witnessed an upward trend in growth rates, registering growth rates of 8-9 per cent in the second half of eighties. In the nineties, the period immediately following the reforms was marked by low growth rates and even stagnation in the major industrial sectors. However, the growth rates quickly recovered and the IIP increased by 6.0 per cent and manufacturing sector by 6.1 per cent in 1993-94. Electricity generation has tended to maintain high growth rates throughout the period. The industrial sector is now growing at rates similar to the high growth rates of 1980s.

TABLE 7.1

Annual Growth Rates in Major Sectors of Industry

(per cent)

Period (Weights)	Mining (11.46)	Manufacturing (77.11)	Electricity (11.43)	General (100)
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	8.9	8.0	12.0	8.6
1985-86	4.1	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	4.5	9.0	7.8	8.2
Average from 1981-82 to				
1990-91	8.4	7.6	9.0	7.8
1991-92	0.6	-0.8	8.5	0.6
1992-93	0.6	2.2	5.0	2.3
1993-94	3.5	6.1	7.5	6.0
1994-95	6.2	9.0	8.5	8.6
April-Sep.				
1993-94	3.4	3.2	8.6	4.0
1994-95	4.5	9.8	7.0	8.8
1995-96	12.5	12.0	10.9	12.0

7. Similarly, among sectors by use based classification, it was the capital goods to first surge ahead, registering a growth rate of 25 per cent in 1994-95. This is followed by an excellent performance by consumer durables. (Table 7.2)

8. The general IIP has registered a growth of 13.6 per cent in September 1995, aided by a growth of 6.4 per cent, 15.8 per cent and 7.4 per cent in mining, manufacturing and electricity generation respectively. The overall growth in industrial production in April-September 1995 was 12.0 per cent supported by a growth of 12.5 per cent in mining, 12.0 per cent in manufacturing and 10.9 per cent in electricity. Analysing growth trends by use based classification also brings out an excellent performance during 1995-96. It is observed from the Table 7.2 that all the use based sectors have performed well during April-September 1995 with consumer durables registering a growth of 28.1 per cent. However, the growth rate of intermediate products at 6.3 per cent during the period is low compared to rates achieved by other sectors.

Box 7.3

Industrial Policy Reforms:Selected State Governments

Andhra Pradesh

- Various measures taken to simplify procedures and encourage private participation in infrastructure development.
- Several steps taken to induce foreign investment, especially in high priority areas.
- Power Purchase Agreements have been signed with private developers for setting up Power Projects.

Gujarat

- Committees appointed to review laws relating to various aspects of liberalisation.
- Private participation in development of ports, power stations and desalination of water supplies, etc.
- Walk-in-system for financial assistance by Gujarat Industries and Investment Corporation(GIIC) and Gujarat State Finance Corporation(GSFC).

Haryana

- Several steps taken to simplify procedures and ensure time bound clearances.
- Industrial Assistance Group as a single window agency set up. Single window services further extended to district level to ensure effective coordination among various Government organisations.
- Powers to allot, transfer, lease, and rent industrial plots/sheds; sanction/disbursement of loans by Haryana Financial Corporation, sanction of electric load upto a certain limit-delegated to district level.
- All sales tax barriers through the State removed.
- High Powered Committee set up to take spot decisions on foreign investments, NRI projects and 100 per cent export oriented projects.
- Visits of inspectors has been streamlined and rationalised.

Jammu & Kashmir

- A scheme of capital investment incentive at 30 per cent of fixed capital investment subject to a maximum ceiling of Rs. 30 lakh introduced.
- A special cell created to study the sick units on a case by case basis.
- Production linked 5 per cent rebate on interest on working capital to all units subject to a maximum of Rs. 10 lakh per year.
- Market support to Small Scale Units includes 12.5 per cent purchase preference.

Karnataka

- A high level Committee for expeditious clearance of mega projects constituted.
- A state level single agency set up for clearing projects.
- An Information Technology Park with the association of Singaporean investors and Tatas set up.
- An airport of international standards coming up in Bangalore.
- Industrial Policy of 1993 being reviewed to make it more attractive for entreprenuers .

Kerala

- Tax and Duty concessions include -no taxes for new units for first seven years, sales tax benefits to medium and large scale sectors,captive power exempted from electricity duty.
- An increase in investment subsidy to 15 per cent with an investment limit,
- Green Channel Scheme providing entreprenuers all required clearances from a single window to be introduced.
- An authority for infrastructure development with statutory powers will be established.
- Technology bank established under the State Industrial Development Corporation.

Maharashtra

- District Collectors' permission to convert agricultural land into industrial use no longer required.
- Industrial location policy revised to permit setting up of non-polluting, non-hazardous and high-tech industries within the municipal zone of Greater Bombay.
- Private participation encouraged in power projects and establishment of industrial estates.
- Committee set up under State Chief Secretary for expeditious decision on NRI and Foreign Direct Investment.

Orissa

- A Nodal Committee constituted at the State Government level for clearance of proposals for providing infrastructural facilities and Government assistance, and to recommend measures for rehabilitation of sick industrial units.

(contd.)

- The Foreign Investment Division in the Industrial Promotion and Investment Corporation of Orissa will act as a single window for investments by Non-Resident Indians and foreign investors.
- Nodal Committees constituted at the district level to resolve local problems faced by entrepreneurs.

Punjab

- A new package of incentives to attract investments, avoid multiplicity of incentives and procedures, and speedy clearance of new enterprises announced and made applicable from October, 1992.
- Udyog Sahayaka acting as a Single Window Service for clearing projects.
- State Government signed MOUs with selected industrial units to upgrade Industrial Training Institutes.
- Privatisation of Public Sector Units to be undertaken.
- Develop selected industrial corridors as part of infrastructural development. Use private initiative for infrastructure development, specially power.
- The state is formulating a policy to ensure granting of clearances for setting up industries within 24 hours of receipt of request.

Rajasthan

- Several steps taken for expanding/strengthening infrastructure, simplifying rules and procedures, ensuring speedy availability of inputs /clearances, increasing role of private sector, enhancing employment and investment.
- Power generation, telecom services, tourism and hotelling in the private sector encouraged.
- Enabling legislation put in place to allow private parties to collect tolls from roads/bridges constructed by them.
- Amendments made in rules relating to conversion and allotment of land for industrial purposes.
- 155 SSI industries exempted from obtaining No Objection Certificate from State Pollution Control Boards. Power to grant NOCs decentralised.
- Industries to be inspected under Factories Act reduced from 15 to 3. Common inspection in accordance with a check list prepared for the purpose. Even simpler procedure for SSIs.

Tamil Nadu

- Capital investment subsidy at various rates in the range of 5 per cent to 20 per cent depending on the location, size and type of industries and subject to a maximum value of Rs,. 100 lakh for mega projets and Rs. 20 lakh for others.
- Power tariff concessions at the rates of 40%, 30% and 20% respectively during the first three years.
- Sales tax waiver/deferrols for a number of years depending on the location, size and type of industries including mega projects.

Uttar Pradesh

- Economic development of the state based on the harmonized growth of agriculture and industry.
- Ensuring availability of top class physical and social infrastructural facilities.
- Positive change in the attitude of the administration.
- A Software Technology Park has come up at Kanpur.
- An Electronics City is being developed at Noida.
- "UPSIDC" is coming up with an Industrial Development Park at Massuri-Guawati Road.
- "U.P. Credit Capital Fund" created in association with Credit capital Venture Fund (India) Limited.
- "U.P. Trade Promotion Authority" is effectively in action for organising and participating in Domestic and International Trade Fairs.

West Bengal

- State, where ever appropriate, welcomes foreign technology and investments.
- State recognizes the importance and the key role of the private sector in accelarating growth.
- An Empowered Committee at the State level, under the Chairmanship of the Chief Secretary, formed to take quick decisions on investment proposals.
- The Single Window Agency of the West Bengal Industrial Development Corporation Ltd., strengthened to provide effective 'Escort Service' to new projects.
- Committees in each district formed under the Chairmanship of District Magistrates to ensure quick decisions on land, employment, and other related matters.
- Private sector investment in power generation encouraged to meet increased demand.

TABLE 7.2
Growth Rates in Industrial Production by Use-based Classification

Sectors	(Weight)	91-92	92-93	93-94	94-95	Sept.'95	April—Sept. 1994	April—Sept. 1995
Basic Goods	(39.4)	6.2	2.6	9.5	3.8	13.3	3.9	12.5
Capital Goods	(16.4)	-12.8	-0.1	-4.2	25.0	17.6	27.4	14.3
Intermediate Goods	(20.5)	-0.7	5.3	11.8	3.9	10.4	4.6	6.3
ConsumerGoods	(23.6)	-1.8	1.9	3.9	8.5	12.3	7.3	13.5
Consumer Durables	(2.6)	-12.5	-0.7	16.1	9.8	42.4	11.6	28.1
Consumer Non-Durables	(21.0)	1.2	2.5	1.3	8.2	4.7	6.3	9.8

9. The general IIP recorded a growth of 8.6 per cent during 1994-95 aided by a growth of 6.2 per cent in mining and quarrying, 9.0 per cent in manufacturing and 8.5 per cent in electricity generation.

10. In 1994-95 capital goods registered a growth of 25.0% and the consumer goods 8.5%, while the performance of the Intermediate goods (3.9%) and basic goods (3.8%) was below the expectations.

Composition of Growth

11. The recovery of growth is well spread out. Many of the seventeen sectors, among manufacturing, after showing a sluggish growth in the period immediately following the reforms, are registering very high growth rates. These rates are comparable to growth rates achieved in the preceding decade.

12. Of the 17 sub sectors within manufacturing, nine sectors have registered growth rates of 12 per cent or more during April-September 1995. These sectors are food products (28.2%), Wood and Wood products (12.5%), paper & paper products (13.6%), non-metallic min. products (15.8%), basic metal and alloy industries (12.5%), metal products & parts (16.6%), non-electric machinery (20.7%), electrical machinery (12.7%), and transport equipment (20.9%). None of the sub-sectors within manufacturing have shown a decline during April-September 1995. (Table 7.3)

TABLE 7.3
Growth Rates of Industrial Production by Broad Groups of Manufacturing

Code	Sectors	Weights	1992-93	1993-94	1994-95	Apr-95	May-95	June-95	July-95	Aug.-95	Sept.-95	April-Sept. 1994	April-Sept. 1995
20-21	Food Products	5.3	-1.6	-8.7	13.6	54.5	50.9	25.0	11.3	9.9	9.7	2.9	28.2
22	Beverages & Tobacco	1.6	5.9	21.3	-2.5	-9.4	17.7	-7.0	37.2	7.4	36.7	8.4	11.0
23	Cotton Textiles	12.3	8.0	6.9	-2.9	3.2	4.4	-1.3	0.5	2.7	1.8	-2.4	1.9
25	Jute, Hemp and Mesta Textiles	2.0	-4.2	18.7	-10.5	7.1	14.0	4.2	4.8	7.9	17.1	-20.1	9.1
26	Textile Products	0.8	-22.0	-3.2	6.8	9.4	3.0	2.2	9.1	8.3	12.2	17.2	7.4
27	Wood and wood products	0.5	3.0	4.6	1.9	-2.2	17.0	10.2	11.8	26.7	12.4	1.6	12.5
28	Paper & paper products	3.2	3.9	6.6	14.5	17.9	15.3	12.0	10.4	13.4	13.0	14.6	13.6
29	Leather and Leather & fur products	0.5	3.5	8.8	3.3	6.1	-10.3	-2.5	4.1	1.4	37.8	4.6	4.5
30	Rubber, Plastic, Petroleum and Coal Products	4.0	1.5	1.0	3.1	12.7	8.4	5.7	3.0	0.0	12.1	4.3	6.8
31	Chemicals and Chemical Products	12.5	6.0	7.6	10.0	11.6	5.5	6.1	9.6	6.1	10.6	9.1	8.2
32	Non-metalic mineral products	3.0	1.8	4.6	7.0	9.5	9.6	12.7	25.6	16.5	22.3	6.5	15.8
33	Basic Metals and alloys Industries	9.8	0.4	33.1	-10.7	16.8	20.2	-1.2	9.3	9.8	22.6	-4.9	12.5
34	Metal Products & parts	2.3	-6.4	1.6	18.2	22.3	17.5	15.9	11.7	12.7	20.4	15.4	16.6
35	Machinery, Machine, Tools and Parts	6.2	-1.2	4.4	9.7	17.6	12.9	0.1	27.2	31.2	36.2	3.0	20.7
36	Electrical machinery,	5.8	-2.0	-4.9	32.4	33.7	33.2	8.8	-8.8	8.2	14.1	40.2	12.7
37	Transport equipment and Parts	6.4	5.0	5.3	13.2	14.7	17.6	19.9	19.5	25.7	27.0	18.6	20.9
38	Other manufacturing industries	0.9	4.2	-5.1	0.3	6.4	15.3	5.3	11.1	7.5	10.4	-10.8	9.3

13. A similar trend is seen in 1994-95 for growth rates of sub-sectors of manufacturing. Four groups viz., beverages and tobacco, cotton textiles, jute textiles, basic metals and alloys, with a combined weight of 25.7 per cent, of these 17 major industry groups recorded negative growth rates during 1994-95. On the other hand, Electrical Machinery, Appliances and Parts registered the highest growth rate of 32.4 per cent, while Metal Products & Parts (18.2%), Paper and Paper Products (14.5%), Food products (13.6%), Transport Equipment (13.2%), and Chemical and Chemical Products (10%) recorded growth rates exceeding 10 per cent

Index of Industrial Production

14. The current IIP (Base 1980-81=100) covers 352 items. It is generally agreed that the Small Scale Industries (SSI) sector, which is a dynamic and fast growing sector of the Indian economy, remains under represented in the weighting diagram due to non-availability of data; specially for the export-oriented segments like garments, leather, gems and jewellery etc. The 1980-81 weights also do not represent fully some of the organised sectors such as automobiles, leather goods and electronics which showed substantial dynamism in 1980s and 1990s. It is, therefore, felt that there is a need to shift the base to a more recent year and to have a more representative weighting diagram. The data collection and availability should also be timely and accurate. It is, therefore, essential that an independent industrial reporting system be set up and the reporting be made compulsory for items covered in the index.

Investment Scenario and Trends

15. The investment scenario has been buoyant and upward moving since the initiation of economic reforms. The number of industrial entrepreneurs memorandum (IEMs) and Letters of Intent (LOIs) filed from 1991 to October 1995 totalled 24,667 with overall investment intention of Rs.505,290 crore and estimated employment of 4.6 million. (Table 7.4)

TABLE 7.4

Industrial Investment Intention through IEMs Filed and LOIs

Year	Numbers	Proposed Investment (Rs. crore)	Proposed Employment ('000)
1991	3279	78,381	803
1992	5480	129,866	1020
1993	4984	76,821	804
1994	5210	106,708	959
1995 (Jan-Oct)	5714	121,029	1010
Total	24667	505290	4596

16. Transnational corporations and foreign firms have also expressed keen interest in investing in India. The total number of FDI proposals approved between August 1991 to September 1995 is 3716 with a proposed total investment of Rs.33060 crore (Table 7.5). More than 80 per cent of these approvals are in high priority sectors such as power generation, oil refinery, electrical equipment, chemicals and export related sectors. Even in areas still reserved for the public sector (such as hydrocarbons, coal, railways and postal services) and in infrastructure sectors (roads, highways, bridges, ports, telecommunications) the government has adopted a more liberal approach towards private investment including foreign investments.

TABLE 7.5

Total Foreign Direct Investment Approvals and Investment inflows

Year	No.of approvals	Amount (Rs.crore)	Actual inflow (Rs.crore)
1991	289	534	351
1992	692	3888	675
1993	785	8859	1786
1994	1040	8947 (*)	2970
1995(Jan-Sept)	975	10820 (*)	4729
Total(Post Policy)	3716	33060	10513

*Excludes 24 approvals of GDRs involving Rs. 5940 crore

17. There has been a substantial growth in assistance sanctioned by All India Financial Institutions during the recent months. During April-December 1995, the All India Financial Institutions sanctioned Rs. 48823 crore and disbursed Rs. 22894.6 crore of financial assistance, registering an annual growth rate of 15.1 per cent and 13.5 per cent respectively over the level of assistance sanctioned and disbursed during April-December 1994. The growth in assistance sanctioned and disbursed would have been larger but for a fall in the assistance sanctioned and disbursed by investment institutions viz. LIC, GIC and UTI by 43.1 per cent and 15.2 per cent respectively.

18. Along with sufficient increase in disbursements by financial institutions, the corporate sector is also

raising large amount of money in the capital market. The public issues launched during 1994-95 (both equity and debentures) at Rs. 21040 crore registered an increase of 36 per cent. (Table 7.6)

TABLE 7.6

Capital Issues Launched during 1993-94 and 1994-95

		1994-95	1993-94
(i) Public Issues	No.	1340	773
	Rs. Crore	21040	15449
(ii) Rights Issues	No.	318	370
	Rs. Crore	6364	8923

Reforms in Public Sector Enterprises

19. The Industrial Policy Statement announced by Government in July 1991 envisaged disinvestment of a part of Government holdings in the share capital of selected Public Sector Enterprises (PSEs) in order to provide market discipline and to improve the performance of public enterprises. (Box 7.4) A total amount of around Rs. 10,500 crore has already been disinvested to the public sector financial institutions, mutual funds and general public.

20. To protect the interests of workers, and provide a social safety net for labour a National Renewal Fund (NRF) was set up in February 1992 and schemes have been proposed to assist the employees in re-training, redeployment and counselling. Provision of funds through NRF also exist for cases where workers retire voluntarily or are declared surplus. To implement the NRF schemes an empowered authority has been created. An amount of Rs. 542.29 crore was released from NRF during 1993-94 and Rs. 261.13 crore during 1994-95. An estimated 75000 workers had opted for voluntary retirement under the scheme. A major portion of the amount has been utilised in the textiles sector.

21. The provisions of SICA was extended to public sector undertakings in December, 1992. Consequently, upto end of December 1995, 59 cases of Central Public Sector Undertakings and 79 cases of State Public Sector Undertakings have been registered with Board for Industrial and Financial Reconstruction. 26 cases out of the above were dismissed as non-maintainable. In 29 cases rehabilitation proposals have been sanctioned and two cases in Central and one in State PSU have been declared 'no longer sick'.

Performance of Selected Public Sector Undertakings

22. 99 PSEs had signed MOUs for the year 1994-95. For 1994-95 self evaluations have been received for 95 PSEs. After these were examined by Department of Public Enterprises, it is observed that of the 95 PSEs, 39 have been rated as excellent, 26 very good and only 2 have been rated as poor. Evaluation for 16 is pending. It is awaited for 4. The financial performance of these enterprises has been better than what had been targetted for in the MOUs. The gross margin during 1994-95 was Rs.26,137 crore as against the target of Rs.24,106 crore. Thus the target for gross margin was exceeded by 8 per cent.

Performance of Selected Industries

Steel

23. The production of various categories of steel, after being sluggish in the last 2/3 years, picked up significantly in 1994-95. The production of finished steel increased by 17.2 per cent in 1994-95. The peak rate of duty on import of steel was reduced from 50 per cent to 40 per cent and the duty on HR coils from 40 per cent to 30 per cent in the Budget for 1995-96.

24. The production of finished steel at 12.86 million tonnes increased by 12.6 per cent in April-November, 1995, with secondary producers registering an increase of 15.7 per cent. Production of saleable pig iron has shown a mixed trend with main producers registering a decline and secondary producers registering an increase (Table 7.7).

TABLE 7.7

Output of Iron & Steel

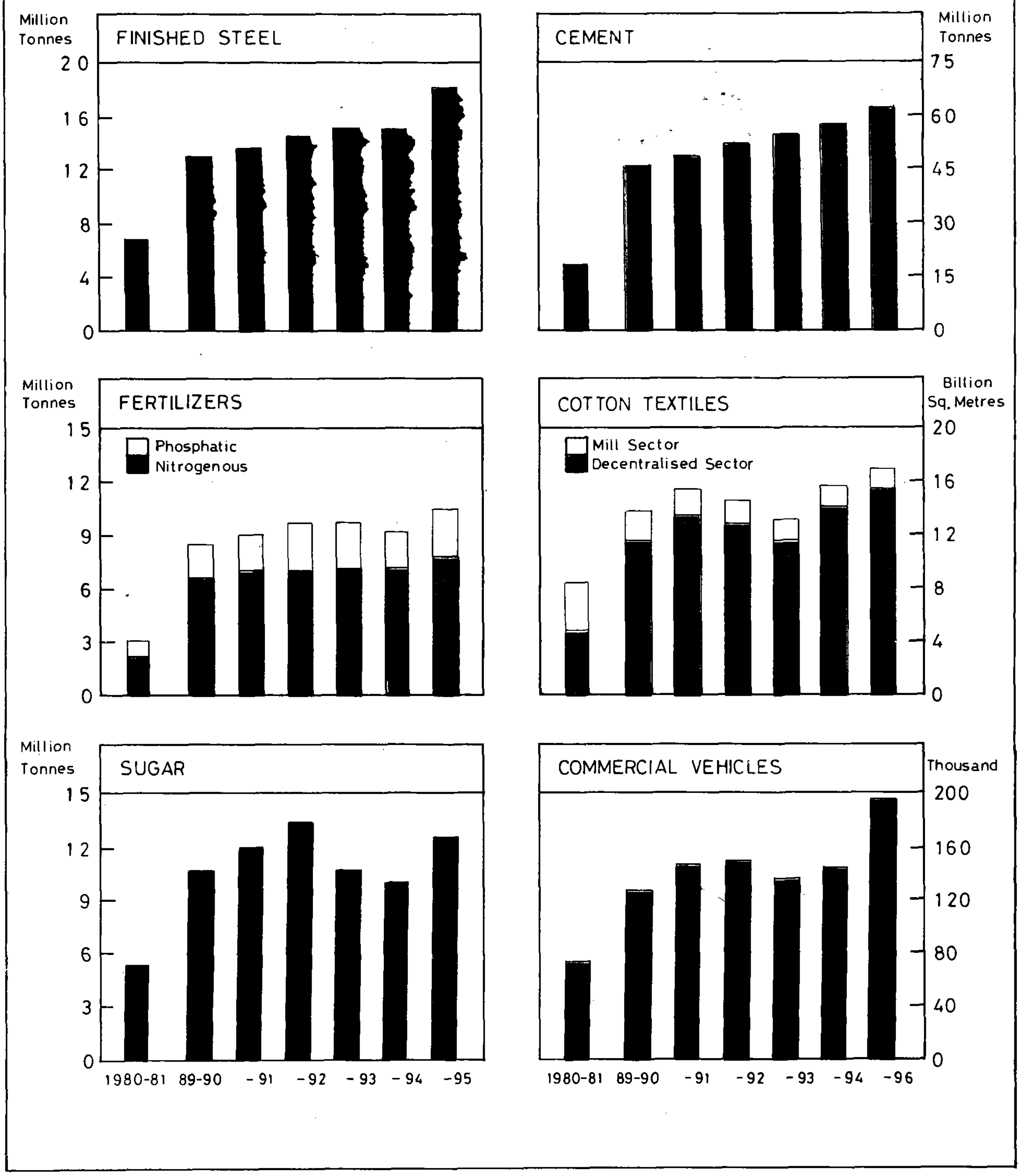
(Million tonnnes)

	1994-95	1994-95 (April - November)	1995-96 (April - November)
Saleable Steel			
SAIL & VSP	10.51	6.50	7.02
	(6.9)		(8.0)
Total			
Main Producers	12.96	8.20	9.01
	(8.2)		(9.9)
Finished Steel			
Main Producers	9.57	6.12	6.71
	(9.1)		(9.9)
Secondary			
Producers	8.25	5.32	6.15
	(28.3)		(15.7)
Total	17.82	11.44	12.86
	(17.2)		(12.6)
Saleable Pig Iron			
Main Producers	2.00	1.36	1.13
	(1.0)		(-17.3)
Secondary			
Producers	0.76	0.48	0.62
	(180.0)		(28.9)

Note: Figures in brackets indicate percentage change over the same period of the previous year.

Figure 7.3

PRODUCTION OF SELECTED INDUSTRIES



Box 7.4
Year-wise/PSU wise Details of Shares Disinvested Since 1991-92

S.No.	Name of the PSE	%of Central Govt. Holding					
		1.7.91	31.3.92	31.3.93	31.3.94	31.3.95	31.12.95
1.	Andrew Yule	71.30	62.80	62.80	62.80	62.80	62.80
2.	Bharat Earthmovers Ltd.	100.00	80.00	80.00	80.00	60.08	60.08*
3.	Bharat Electronics Ltd	100.00	80.00	80.00	80.00	75.86	75.86
4.	Bharat Heavy Electricals Ltd.	100.00	80.00	79.54	79.46	67.72	67.72
5.	Bharat Petroleum Corpn Ltd.	100.00	80.00	70.00	69.62	66.20	66.20
6.	Bongaigaon Refineries & Petro. Ltd.	100.00	80.00	74.60	74.59	74.47	74.47
7.	CMC Ltd.	100.00	83.31	83.31	83.31	83.31	83.31
8.	Cochin Refineries Ltd.	61.16	55.04	55.04	55.04	55.04	55.04
9.	Dredging Corpn Ltd.	100.00	98.56	98.56	98.56	98.56	98.56
10.	Fert. & Chem. (Travancore) Ltd.	98.69	97.46	97.35	97.35	97.35	97.35
11.	HMT Ltd.	100.00	95.14	90.32	90.32	90.32	90.32
12.	Hindustan Cables Ltd.	100.00	96.36	97.97	97.97	97.97	97.97
13.	Hindustan Copper Ltd.	100.00	100.00	98.88	98.88	98.88	98.88
14.	Hindustan Organic Chemicals Ltd	100.00	80.00	80.00	80.00	56.90	56.90*
15.	Hindustan Petroleum Corpn. Ltd.	100.00	80.00	70.00	69.72	60.25	60.25*
16.	Hindustan Photofilms Mfg. Co. Ltd.	100.00	87.47	87.47	87.47	87.47	87.47
17.	Hindustan Zinc Ltd.	100.00	80.04	75.93	75.93	75.92	75.92
18.	Indian Petrochemicals Corpn Ltd.	100.00	80.00	80.97	62.40	62.40	62.40
19.	Indian Railway Const. Co. Ltd.	100.00	99.74	99.74	99.74	99.74	99.74
20.	Indian Telephone Industries Ltd.	99.65	79.72	77.79	77.67	77.02	77.02
21.	Madras Refinerries Ltd.	84.62	67.70	67.70	51.80	51.80	51.80
22.	Mahanagar Telephone Nigam Ltd.	100.00	80.00	80.00	80.00	67.18	65.73#
23.	Minerals & Metals Trading Corpn.	100.00	99.33	99.33	99.33	99.33	99.33
24.	National Aluminium co. Ltd.	100.00	97.28	87.20	87.19	87.15	87.15
25.	National Fertilizers Ltd.	100.00	97.72	97.66	97.66	97.65	97.65
26.	National Mineral Dev. Corpn. Ltd.	100.00	100.00	98.38	98.38	98.38	98.38
27.	Neyveli Lignite Corporation	100.00	95.42	93.86	94.19	94.19	94.19
28.	Rashtriya Chemicals & Fertilizers	100.00	94.36	92.50	92.50	92.50	92.50
29.	Shipping Corpn. of India	100.00	81.49	81.49	81.49	80.12	80.12
30.	State Trading Corpn.	100.00	92.02	91.02	91.02	91.02	91.02
31.	Steel Authority of India Ltd.	100.00	95.01	89.49	89.45	89.04	88.93#
32.	Videsh Sanchar Nigam Ltd.	100.00	85.00	85.00	85.00	85.00	85.00
33.	Container corporation of India	100.00	100.00	100.00	100.00	80.00	76.92#
34.	Indian Oil Corporation	99.88	99.88	99.88	99.88	96.08	96.08
35.	Oil & Natural Gas Gorporation	100.00	100.00	100.00	100.00	98.00	97.94#
36.	Engineers India Ltd.	100.00	100.00	100.00	100.00	94.01	94.01
37.	Gas Authority of India Ltd.	100.00	100.00	100.00	100.00	96.63	96.63
38.	Indian Tourism & Dev. Corp.	100.00	100.00	100.00	100.00	90.00	90.00
39.	Kudermukh Iron & Ore Company Ltd.	100.00	100.00	100.00	100.00	99.03	99.03
40.	Industrial Dev. Bank of India.	100.00	100.00	100.00	100.00	100.00	72.14

\# Figures are provisional, as the shares sold in Oct. 1995 are yet to be transferred in favour of successful Bidders.
* These companies had floated public issues, Percentage of Govt. holding after proposed public issue is not known.

25. There was an increase of 10 per cent in exports of iron and steel during April-September 1995, compared with a decline of 19.8 per cent in 1994-95. Imports, had increased by 68 per cent during 1994-95, mainly of HR coils, CR coils and semis. However, with the increased domestic production of HR and CR coils, the imports in 1995-96 are expected to be less.

26. Liberalisation has brought about a qualitative change in the Indian iron and steel sector. With delicensing and decontrol of the steel industry and reduction of import duties on iron and steel items, producers have become more responsive to consumer needs. There is also increasing awareness of the need to improve quality and cut down costs.

Fertilizers

27. Policy initiatives to overcome difficulties in fertilizer sector include continuation of concessions for decontrolled fertilizers with some modifications, decanalisation of the imports of Muriate of Potash (MOP), Mono Ammonium Phosphate (MAP) and Sulphate of Potash (SOP). At present, only urea is covered under the statutory price and movement controls.

28. During 1994-95, the production of nitrogenous and phosphatic fertilizers reached a record level of 104.3 lakh tonnes representing an increase of 9.9 per cent for nitrogen and 37.3 per cent for phosphate. During April-December, 1995, fertilizer production increased by 10.6 per cent for nitrogen and 6.7 per cent for phosphate as compared to April-December 1994. The production target for 1995-96 has been fixed at 86.3 lakh tonnes of nitrogen and 26.7 lakh tonnes of phosphate, representing a growth rate of 8.6 per cent in nitrogen and 7.2 per cent in phosphate for the year 1995-96.

29. As on 1.4.1995, the total installed capacity of fertilizer production in the country was 89.72 lakh tonnes of nitrogen and 28.22 lakh tonnes of phosphate. The availability of Urea in Kharif 1995, was by and large adequate to meet the demand in time and space.

Sugar

30. Sugar production has shown a substantial increase during 1994-95 season and reached a record level of about 146 lakh tonnes in the year. This represents a sharp recovery from the low level of production of 98 lakh tonnes in 1993-94 season. As reported in the previous Economic Surveys, sugar continues to be controlled. The sugar industry continues to remain under a compulsory licensing regime and almost all aspects of industry from entry to exports are regulated. There is a statutory minimum price (SMP) fixed by the Central Government and State Advised Prices (SAP), for sugarcane. The SMP for sugarcane for 1994-95 season was Rs.39.10/quintal and advance SMP for 1995-96 season is Rs.42.50 per quintal.

31. A certain portion (normally 40 per cent with lower rates for new units) of sugar production is allotted to the State/UT Governments as levy. This is used for distribution through the Public Distribution System (PDS). Prices of levy sugar are fixed zone-wise, on the basis of SMP of sugarcane plus conversion costs as recommended by the Bureau of Industrial Costs and Prices (BICP). Though there is no price control on freesale sugar , its market supplies are regulated by the Government by fixing monthly release quotas to maintain price stability. Export quotas are determined by the Government and a nominated agency handles sugar exports.

32. In April 1995, stock holding limits and turnover periods of sugar and khandsari dealers were doubled and licensing of wholesalers has been abolished in the hill districts of Uttar Pradesh. The Gur (control) Order 1994 was rescinded.

Automobiles

33. Automobiles has been one of the very fast growing industries in recent years. Its turnover was over Rs.22,000 crore during 1994-95. The sales of automotive vehicles has risen from 18.91 lakh in 1992-93 to 28.51 lakh during 1994-95 registering a growth of around 25% both during 1993-94 and 1994-95. The industry is expecting to maintain the same or even a higher growth level ,during 1995-96. The production of vehicles during the first 6 months of 1995-96 is reported to be 16.48 lakh as against 12.97 lakh during the corresponding period of the previous year, recording a growth rate of around 27 per cent. Similarly, the production of auto components in value terms has gone up from Rs.5204 crore in 1993-94 to Rs.6700 crore in 1994-95 and is expected to be over Rs.8,500 crore during 1995-96.

34. Exports of the automotive industry has also shown a consistently high growth. Exports of vehicles have risen from Rs.305 crore during 1991 to Rs.1348 crore during 1994-95. Similarly, exports of auto components have gone up from Rs.234 crore in 1990-91 to Rs.730 crore in 1994-95. The exports of vehicles as well as auto components are expected to go up further during the current year (1995-96).

35. With the liberalisation of the policy of the Government and potential market that India offers, several leading international players in the automobile field have evinced interest in the Indian automobile industry and a number of joint ventures have already been approved by Government in the passenger car sector.

TABLE 7.8

Production of Electronics (Sectoral Break-up) 1992-93 to 1994-95

(Rs. crore)

	1992-93	1993-94	1994-95
1. Consumer Electronics	3300	4050	4525
2. Industrial Electronics	1700	1750	2080
3. Computer Systems	1040	1050	1350
4. Communication & Broadcasting Equipment	2800	3150	3250
5. Strategic Electronics	385	500	600
6. Components	2200	2600	3050
7. Free Trade zones (Hardware)	330	550	771
8. Software for Exports (including EPZ, 100% EOU)	575	1020	1474
Total	12350	14670	17100

Electronics

36. Indian Electronics industry continued its upward trend in 1994-95 witnessing a growth of about 17 per cent. The TV and component industry, showed excellent performance during the year (Table 7.8).

37. Exports of the electronics sector increased steadily from Rs. 910 crore in 1990-91 to Rs. 2,981 crore in 1994-95. One of the areas of focus for exports is computer software. It has grown at a rate of about 40-50 per cent during last 3 years.

38. Software Technology Park (STP) scheme continued to attract entrepreneurs who are in software development and software export operations. Over 430 units have been accorded approval under this scheme. Similarly, under the, Electronic Hardware Technology Park Scheme over 140 units have been approved with a projection of US$ 5.65 billion worth of exports over the next 5 years.

Textiles

39. The textile industry continues to be the largest industry in our country. It accounts for 20 per cent of total industrial output, provides employment to 20 million people and contributes nearly 38 per cent to the total value of exports.

40. In line with the general policy of liberalization, several measures have been undertaken to eliminate/reduce controls and bring about greater transparency in the textile sector. The textile industry has been delicensed as per the Textiles (Development and Regulation) Order 1993. The Agreement on Textiles and Clothing (ATC) included as part of the Final Act of GATT, provides for a dismantling of the discriminatory quota regime practised under the Multi Fibre Agreement (MFA), within a definite time span of 10 years. In the wake of the coming into force of ATC, the current Export Entitlement Distribution Policy (known as Quota Policy) effective from January 1994 to December 1996 has been formulated to enable the industry to meet the emerging challenges in the international market. Quota Policy is made simple and more transparent and is expected to lead to greater export earning and to facilitate the modernisation of the industry.

41. The Indian textiles industry continues to be predominantly cotton based, with about 65 per cent of raw materials consumed being cotton. As per estimate made by the Cotton Advisory Board at its meeting held on 5.6.95, the cotton production during the cotton season 1994-95 (September, 1994 to August, 1994) was 130.00 lakh bales of 170 kgs each (provisional) against the production of 121.50 lakh bales of 170 kgs each during the cotton season 1993-94, registering a growth rate of 7.00 per cent. During 1994-95, cotton prices showed mixed trend. Government has taken several steps like permitting import of 29104 MT of Viscose Staple Fibre (VSF), a near substitute to cotton at zero/concessional rate of duty, keeping Import of cotton under OGL at zero rate of duty and tightening of Selective Credit Control measures for cotton. All these helped to contain the rise in prices of cotton. Looking to the supply and demand situation in the country, the Government had released an export quota of 1.856 lakh bales of various varieties of cotton during the cotton season 1994-95, out of which 1.08 lakh bales of cotton valued at Rs. 83.39 crore were exported during that year.

42. Table 7.9 brings out the trend in fabric production and the share of mills, powerlooms and handlooms in total fabric production. There was a marginal decline in the share of the mill sector in fabric production.

43. Fabrics production recorded an increasing trend over the years, except for a marginal setback in 1991-92. Total fabric production in 1994-95 was higher by 1.8 per cent than in 1993-94. Production of fabrics during April-October 1995 increased by 5.4 per cent over April-October, 1994. Production of spun yarn was almost entirely in the organised sector and showed a steadily increasing trend over the years, except for a marginal setback in 1991-92. Production of spun yarn increased by 1.1 per cent in 1994-95 and by 11.1 per cent in April-October 1995. The production of spun yarn by small scale units at 110 million kgs. during 1994-95 now forms a significant part of total production.

44. The production of man-made fibres at 478.6 million kgs. registered an increase of 5.6 per cent in 1994-95. Production during April-October, 1995 was 283.5 million kgs. as against 267.9 million kgs. in April-October 1994, recording an increase of 5.8 per cent.

TABLE 7.9
Production of Fabrics

Million Sq. Metrs.

Sector	1990-91	1991-92	1992-93	1993-94	1994-95	April-October 94-95	April-October 95-96(P)
Mills	2589	2376	2000	1990	1779	1060	942
Powerlooms	16044	16089	17826	19631	20016	11535	12194
Handlooms	4295	4123	5219	5851	6180	3589	3919
Total	22928	22588	25045	27472	27975	16184	17055
			Share in Output (per cent)				
Mills	11.20	10.52	7.98	7.24	6.35	6.54	5.52
Powerlooms	69.98	71.23	71.18	71.46	71.55	71.28	71.50
Handlooms	18.73	18.25	20.84	21.30	22.10	22.18	22.98
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00

(P) : Provisional Including hosiery

45. The export of textiles has been increasing at a fast rate during the last few years. During 1994-95, total exports of textiles (including coir, jute and handicraft) was estimated at Rs. 31336 crore, registering an increase of 25.3 per cent over 1993-94. Among the various items of textiles, ready-made garments achieved a growth rate of 19.51 per cent, cotton textiles (mill made, powerlooms and handlooms) 38.7 per cent, silk textiles 18.8 per cent, man-made fibre textiles 33.6 per cent, woollen textiles -11.2 per cent, handicrafts 23.5 per cent, jute goods 25.2 per cent and coir goods 31 per cent.

TABLE 7.10
Production of Spun Yarn

(Million Kgs.)

Year	Cotton Yarn	Blended Yarn	100% Non-Cotton Yarn	Total
1989-90	1372	173	107	1652
1990-91	1510	207	107	1824
1991-92	1450	234	122	1806
1992-93	1523	247	125	1895
1993-94	1622	305	140	2067
1994-95	1586	346	158	2090
April-September				
1994-95	909	195	91	1195
1995-96(P)	997	230	103	1330

P (Provisionsal)

Food Processing

46: The food processing industry encompasses industries like fruit & vegetable processing, milk, fish, and meat. The industry has a tremendous potential for increasing agricultural productivity, providing significant and wide spread employment and contributing significantly to exports. And all this, using relatively simpler technology.

47. To encourage private sector initiative in food processing, the Government has taken several steps. Union excise duty on fruit and vegetable products was withdrawn in the 1991-92 Budget. Foreign equity participation up to 51 per cent and foreign technology agreements are provided automatically. There are no entry barriers in the food processing industry. Changes in Export Import Policy and the liberalized exchange rate have also helped the sector.

48. Recent trends of production and exports of various segments of the industry show an impressive performance. (Table 7 11) This is largely the outcome of policy initiatives undertaken for the sector.

49. Incidence of duties on packaging material and various state levies are still considered to be impediments for further growth of the fruit & vegetable sector. Despite an impressive increase, in recent years, commercial processing of fruits & vegetables, has been just over 1.3 per cent of the total production.

Small Scale Sector

50. The number, employment, output and exports in the small scale sector as estimated by the Office of the Development Commissioner, Small Scale Industries, are given in Table 7.12.

51. In real terms, the small scale sector recorded a growth rate of 10.1 per cent in 1994-95, as against 7.1 per cent in 1993-94 and 5.6 per cent in 1992-93. These rates were significantly higher than the growth rates achieved by the industrial sector as a whole.

TABLE 7.11
Growth of Food Processing Industries
(Percentage change over previous year)

	1991	1992	1993	1994	1995#
Processed fruits & vegetables	14.29	28.57	30.28	20.00	20.93
Milk products	-1.17	8.63	4.06	10.17	22.46
Fish products*	3.84	4.16	4.37	4.64	4.78

Exports of Processed Food Items

(Rs. crore)

	1991-92	1992-93	1993-94	1994-95
Processed fruits & vegetables	193.91	263.00	335.67	408.86
Milk products	11.18	8.37	11.50	40.12
Fish products*	1375.89	1767.43	2503.60	3575.91

Projected. * Relates to financial year.

TABLE 7.12
Overall Performance of SSI Sector

year	No. of units (in lakh) as on 31st December	Output At current prices (Rs. crore)	Employment (lakh Nos.)	Export (InRs crore)
1991-92	20.82 (6.9)	1,78,699 (15.0)	129.80	13,883
1992-93	22.46 (7.9)	2,09,300 (17.1)	134.06 (3.3)	17,785 (28.1)
1993-94	23.84 (6.1)	2,41,648 (15.5)	139.38 (4.0)	25,307 (42.3)
1994-95(P)	25.71 (7.8)	2,93,990 (21.7)	146.56 (5.2)	28,000* (10.6)

*Quick Estimate. P Provisional
(figures in the brackets give the increase over previous year).

52. The small scale sector contributes around 40 per cent to the gross turnover in the manufacturing sector and about 34 per cent of total exports.

53. Several policy initiatives and procedural simplification have been undertaken by the Government to support the small scale sector and enhance its competitive strength. The measures encompass areas like greater infrastructural support, more and easier availability of credit, lower rates of duty, technology upgradation, building entrepreneurial talent, quality improvement, export incentives, employment generation etc. Box 7.5 summarises facilities and incentives provided to the SSI sector.

Industrial Sickness

54. Since inception upto end of December, 1995, the BIFR has received 2497 references under Sick Industrial Companies Act (SICA) both in respect of private companies and public sector undertakings. Of the 1756 references registered, 383 cases were dismissed as non-maintainable, revival schemes sanctioned/approved in 530 cases and recommended 407 cases to the concerned High Courts for winding up. Sale has been ordered in one case. In addition to the above, draft schemes were formulated and circulated in 57 cases and show-cause notices issued for winding up of 54 companies. The proportion of cases effectively decided to those registered by the BIFR till the end of December, 1995 is 74.6 per cent.

55. As a result of steps taken by BIFR to streamline the internal procedures with a view to speedy disposal of registration of a case with BIFR and its first hearing, the average time taken for holding first hearing has been brought down to 52 days during 1995 against 160 days during the

TABLE 7.13
Status of PSU cases referred to BIFR as on 31.12.1995

	Central	State	Total
Reference registered	59	79	138
Dismissed as not maintainable	3	23	26
Revival scheme sanctioned	13	16	29
Winding up recommended to the concerned High Court	5	9	-
Stayed by Courts	5	-	5

Box 7.5
Incentives and Facilities for Small Scale Industries

Fiscal incentives

- Excise concessions available for both registered and unregistered units on a graded scale depending on turnover upto Rs. 300 lakh.
- A scheme of Integrated Infrastructure Development was launched in March, 1994 to strengthen infrastructural facilities in rural and backward areas. 15 projects have been sanctioned so far.
- Quality Certification Scheme launched to improve SSI product quality. Financial support to acquire ISO 9000. Till date, 46 units approved for reimbursement.
- Seven Point Action Plan has been initiated to improve credit flow to SSI sector. 51 specialised SSI branches have been opened up to October, 1995.
- Scope of National Equity Fund scheme enlarged to cover the whole country except metropolitan areas to support expansion, modernisation & technology upgradation. Under the scheme Rs. 187 lakh released during April-December 1995.
- Technology Development & Modernisation Fund scheme launched for modernisation and adoption of improved and updated technology. During first 7 months of 1995-96, SIDBI has assisted 43 units and sanctioned Rs.1549.47 lakh under this scheme.
- A scheme for creation of Technology Development Fund in the States launched with the involvement of State Government and Industry Associations.

Credit Policies

- Priority sector lending.
- 40% of advances to SSI sector reserved for tiny sector and village & cottage industries.
- Refinance facilities and special schemes of SIDBI.
- Concessional/fixed rates of interest for loans up to Rs.2 lakhs (2 slabs).
- Single Window Scheme of SIDBI for project outlays up to Rs.50 lakh.
- Under Prime Minister's Rozgar Yozana, loans in respect of 31971 micro enterprises were sanctioned in 1993-94, 196,133 enterprises in 1994-95 and 101,321 enterprises in April-November, 1995.

Other incentives

- Reservation of products for exclusive manufacture (836 products at present)
- Purchase and price preference
- Infrastructural support to Entrepreneurship Development Institutes to augment their training capacities.
- Entrepreneurship Development Institute set up in Guwahati, Assam for improving the entrepreneurial base for the North Eastern Region.
- Joint programme with the State Bank of India and Small Industries Development Bank Of India (SIDBI) for modernisation and technology upgradation of industry clusters.
- Assistance to industrial associations/voluntary agencies to set up testing centres.
- Special programmes on vendor developoment, quality awareness and pollution control.

initial 5 years. The time taken for deciding cases has also been considerably reduced over the years. Barring those cases stayed by Courts and those reopened or remanded or those where stay has been vacated only very recently, all cases registered with BIFR during 1987, 1988, 1989, 1990 have been disposed off. Pending cases of 1991, 92 are only 1 and 4 respectively. Table 7.13 gives the status relating to public sector undertakings registered with BIFR as on 31.12.1995.

56. Delay in disposal of PSUs registered with BIFR have been solely due to inadequate information furnished by the companies, delay in furnishing final views by the Central/State Governments and the complexity of the companies.

Industrial Relations

57. Industrial relations have shown a steady improvement in the years following the economic reforms. Mandays lost due to strikes and lockouts declined significantly from 34.57 million in 1991-92 to 19.20 million in 1994-95. (Table 7.14) This was mainly due to improvement in the industrial relations situation in Cotton, Engineering, Coal & Non-coal mining, Beverages. Tobacco & Tobacco products, Jute and Rubber industries. During 1991-94 industrial unrest was mainly witnessed in the States of Andhra Pradesh, Gujarat, Tamil Nadu and Maharashtra. Government's proactive role through timely and effective conciliation of industrial disputes and involvement of the social partners in the formulation and implementation of labour and industrial relations policies and programmes has successfully harmonised the interests of employers and workers through a change from confrontation to collaboration, and their appreciation that employment security is promised upon productivity and viability of the enterprise.

TABLE 7.14
Mandays lost (in million) on account of strikes and lockouts

Quarter	1991-92*	1992-93*	1993-94	1994-95*
I	5.11	6.70	4.32	5.97
II	5.56	6.20	6.00	5.15
III	11.00	5.46	5.36	5.10
IV	12.90	4.61	4.76	2.98
Total	34.57	22.97	20.44	19.20

* Provisional Source: Labour Bureau, Shimla.

Outlook

58. The industrial sector has shown a robust growth during 1995-96 with significant improvement in sectors like basic goods and both consumer durables and consumer non-durables. The capital goods sector has also been performing very well since 1994-95. The high industrial growth rates are well spread out and manufacturing sectors like food products, metal products, transport equipment, non electrical machinery have significantly aided the growth in the industrial sector. The strong industrial growth has been facilitated by several policy initiatives taken by the Government since July 1991. These include significant deregulation and delicensing of industrial sector, extension of MODVAT to several sectors, rationalization and reduction of customs duties, reduction of corporate taxes and deregulation of imports. The upsurge has also been made possible by significant initiatives taken by State Governments in the reform process and implementation of new industrial policies. However, further reforms have to be undertaken to encourage greater flexibility and mobility of resources of land, labour and capital within industry.

59. The dynamism and potential manifested by industry suggests that high growth rates can be maintained in future. The year 1995-96 is expected to end with an industrial growth rate of above 10 per cent.