Production

6. Agricultural production in 1997-98 is likely to be lower than last year's record output especially of foodgrains and commercial crops. Foodgrain output will, however, be higher than in 1995-96. The production of foodgrains during 1997-98 is expected to be 194.1 million tonnes compared with 199.3 million tonnes during 1996-97, representing a decline of 2.6 per cent. Of this rice will constitute 83.5 million tonnes, wheat 66.4 million tonnes and coarse cereals and pulses (together) 44.2 million tonnes. Production of wheat, coarse cereals and pulses is expected to decline by 4.2 per cent, 9.1 per cent and 9.5 per cent respectively. One reason for the setback is late wheat sowing due to inclement weather during the Rabi season. Among the food grains only rice is expected to post a positive growth of 2.7 per cent during 1997-98. Annual growth rate of food grains production in the nineties has been 1.73 per cent—lower than in earlier years.

Annual Growth in Foodgrains Production

(Percentage)

Period	Rice	Wheat	Pulses	Food-grains
Compound growth rate*				
1967-68 to 1997-98	2.85	4.60	0.91	2.60
1980-81 to 1997-98	3.08	3.58	1.06	2.60
1990-91 to 1997-98	1.60	3.72	0.34	1.73

* Based on the Index numbers, base triennium ending 1981-82 = 100.

7. In case of commercial crops the production of oilseeds, sugarcane and cotton is expected to decline by 5.1 per cent, 6.2 per cent and 19.9 per cent respectively in 1997-98. In 1997-98 oilseeds production is expected to be about 12.7 lakh tonnes less than last year's output of 249.6 lakh tonnes but certainly higher than 1993-94 to 1995-96 production. Cotton output is expected to be at 11.4 million bales, 19.9 per cent less than last year. Jute and Mesta will also be 10.6 per cent lower than last year. Sugarcane output will be 6.2 per cent lower than last year. Among plantation crops, production of tea, coffee and natural rubber will be higher than last year.

8. Industrial production has grown by 4.2 per cent in 1997-98. This is composed of a growth rate of 4.9 per cent in mining, 3.6 per cent in manufacturing and 6.8 per cent in electricity. As per the use-based classification intermediate goods and basic goods grew at 6.9 per cent and 7.0 per cent respectively, whereas consumer goods registered growth rate of 4.6 per cent and capital goods suffered a decline of 4 per cent. Thus, the decline in investment seems to be an important factor in the continuing industrial slowdown in 1997-98.

9. The slow growth of industry in 1997-98 followed growth of 7.1 per cent in 1996-97, which was much lower than the 12.1 per cent growth achieved in 1995-96. The slowdown is partly attributable to the mining and electricity generation sectors, which recorded meagre growth rates of 0.4 per cent and 3.9 per cent respectively in 1996-97. Mining was badly hampered in 1996-97 by the poor performance of crude oil (-6.5 per cent) and hydro-electricity generation, which registered negative growth (-5.4 per cent) in 1996-97. Thermal power (including nuclear) also recorded lower growth of 5.9 per cent in 1996-97 compared to 14.6 per cent in 1995-96.

10. Deceleration in industrial growth could be attributed to several factors. One of the most important is the decline in investment as shown by the decline in capital goods production and the fall in the value of imports of capital goods during 1997-98. Among the reasons for reduced investment are domestic and international uncertainty and reduced confidence, and a somewhat lacklustre capital market, which made it difficult to raise equity. Other factors constraining industrial expansion were the sharp decline in growth of exports since 1996-97 and the persistence of high real interest rates.

11. Given the background of slowing industrial growth, the Budget for 1997-98 cut personal and corporate income tax rates across the board. The credit policy (of April 1997) reduced the Bank Rate, abolished the statutory liquidity ratio (SLR) on inter-bank deposit and reduced the cash reserve ratio (CRR). The resultant easing of monetary conditions was reflected in a reduction in nominal interest rates. The RBI has also re-introduced bridge loans to

companies against expected equity flows/public issues for propping up the capital markets. The corporate sector was also allowed free access to GDR/ECB windows to obtain finance at globally competitive rates.

12. During 1997-98, the number of industries subject to industrial licensing was reduced from 14 to 9. The de-licensed industries are animal fats and oils, tanned or dressed fur skins, chamois leather, asbestos and asbestos-based products, plywood, veneers of all types, and other wood based products like particle board, medium density fibre board/block board and paper and newsprint except bagasse-based units. The investment limit on plant and machinery in the small-scale sector was enhanced to Rs. 3 crore from Rs. 60 lakh/75 lakh for small scale industrial undertakings/ ancillary industrial undertakings. The limit for tiny sector was correspondingly raised to Rs.25 lakh from Rs.5 lakh. Fifteen items, hitherto reserved exclusively for manufacture in the small sector have been dereserved. These are ice cream, vinegar, rice milling, dal milling, biscuits, poultry feed except in pellet form, synthetic syrups, corrugated paper and boards, hair driers-all types, hub caps-auto, ornamental fittings-auto, spot lamps assembly-auto and stop lamps assembly-auto (excluding combination lamp asembly), tail lamp assembly-auto and ash trays-car fittings.

13. Efforts continued to make foreign investment policy more transparent and simpler especially for the core sectors. In 1997-98, the list of industries eligible for foreign direct equity investment under the automatic approval route by RBI has been expanded. Nine high priority industries in metallurgical and infrastructure sectors and 13 other priority industries that were eligible for 74 per cent and 51 per cent foreign equity investment respectively, have been opened up for 100 per cent equity investment by NRIs/OCBs. Foreign equity investment limits in mining (3 categories of industries) has also been enhanced to 100 per cent for NRIs/OCBs. The existing ceiling of 24 per cent for aggregate portfolio investment limit for NRIs/OCBs/FIIs can now be raised to 30 per cent of the issued and paid up capital of the company with the approval of the Board of Directors and special resolution by the general body of the company.

14. Measures for public sector reform included enhanced autonomy for nine selected Public Sector Enterprises referred to as “Navaratnas”, and subsequently for GAIL and MTNL. Greater functional and operational autonomy has been granted also to 97 other profit-making public sector enterprises referred to as “Mini-Ratnas” for making them more efficient and competitive.

15. Six basic industries (electricity generation, coal, steel, crude oil, refinery throughput and cement) with a weight of 28.8 per cent in the Index of Industrial Production (IIP), averaged a growth of 4.6 percent for April-February 1997-98, higher than the 3.5 percent growth during April-February 1996-97 (Table 1.5). The performance of infrastructure services showed some improvement in 1997-98. Growth of electricity generation at 6.7 per cent during April-February 1997-98 was higher than the 3.7 per cent growth in the corresponding period of 1996-97, mainly due to the turnaround in hydroelectric generation. Railway’s revenue earning goods traffic and cargo handled at major ports have also exhibited increase in growth rates for April-February 1997-98. The non-traded infrastructure services sector comprising electricity, gas & water, railways, other transport and communication, is expected to maintain a higher growth rate than the overall growth rate of GDP. It grew by 7.9 per cent in 1996-97 and is estimated to have grown by 7.5 per cent in 1997-98.

16. Crude oil has shown a turnaround (3.3 per cent) during April-February 1997-98 after the negative growth (-9.3 per cent) in April-February 1996-97. Coal and refinery throughput have, however, registered lower growth rates in April-February 1997-98 than in April-February 1996-97 (Table 1.5).

17. Policies to encourage investment in infrastructure included redefining “infrastructure” to cover telecom, oil exploration and industrial parks for the purpose of fiscal incentives. An Infrastructure Development Finance Company has been set up to encourage innovative means of financing. External commercial borrowing parameters for infrastructure projects were liberalised and fiscal incentives provided for infrastructure projects. The Telecom Regulatory Authority of India has been set up. The capital base of the National Highway Authority of India was expanded substantially to Rs. 500 crore. The private sector was permitted to levy tolls on highways. The Tariff Authority for Major Ports was established. Ordinance for setting up a Central Electricity Regulatory Commission

(CERC) at the Centre and State Electricity Regulatory Commissions (SERCs) in the States has been promulgated on April 25, 1998.

18. The service sector comprising trade, hotels, transport and communication, financial services, business and public administration has shown a step up in growth from 8.1 per cent in 1996-97 to 8.9 per cent in 1997-98. This to a large extent, has been driven by a surge in the growth of public administration & defence from 6.6 per cent in 1996-97 to 21.3 per cent in 1997-98.

TABLE 1.5

Growth Rates of Core and Infrastructure Sectors

(Per cent p.a.)

Sectors	Weight (IIP)	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97*	1996-97*@	1997-98*@
Infrastructure Sectors (IIP)										
1. Electricity generation	11.4	7.8	8.5	5.0	7.4	8.5	8.3	3.8	3.7	6.7
(a) Hydel		15.2	1.4	-4.0	0.8	17.2	-12.1	-5.4	-5.7	6.2
(b) Thermal (incl. nuclear)		5.1	11.1	8.1	9.5	6.1	14.6	5.9	5.9	6.8
2. Coal production	6.6	5.4	8.3	3.9	3.3	3.2	6.4	5.7	6.8	3.9
3. Saleable steel	5.2	3.1	8.1	3.9	6.2	8.3	8.9	1.6	2.0	0.5
4. Crude oil	2.4	-3.1	-8.1	-11.2	0.3	19.3	9.1	-6.5	-9.3	3.3
5. Refinery throughput	1.5	-0.3	-0.7	4.0	1.5	3.8	3.9	6.9	7.1	3.6
6. Cement	1.6	6.6	5.9	5.0	6.8	7.6	11.2	9.5	9.2	9.4
Overall	**28.8**	**5.0**	**6.4**	**3.1**	**5.3**	**7.8**	**7.9**	**3.4**	**3.5**	**4.6**
Other Infrastructure Sectors										
1. Railway revenue-earning goods traffic		2.7	6.2	3.6	2.5	1.7	7.0	4.7	4.8	5.4
2. Cargo handled at major ports		3.0	3.3	5.7	7.6	10.0	9.1	5.6	5.4	11.6
3. Telecommunications :										
New Telephone connections provided		14.7	51.5	34.2	24.5	44.0	23.3	17.5	10.9	28.4

*** Provisional** **@ April-February**