

THE INDUSTRIAL SLACK

AN ANALYSIS OF SOME CORROBORATORY EVIDENCE

INDUSTRIAL output in India has been following a meandering course since the latter half of the sixties. After having displayed a modest recovery over the two years on the immediate aftermath of the recession, it has again lapsed into a decline. This has elongated the shadow of doubt over the fulfilment of the Fourth Plan target of industrial growth rate. A very curious phenomenon in this connection has been a tenacious official denial, and in support of such a rebuttal the veracity and validity of the Official Index of Output have been questioned. An unfortunate situation has been created by an absence of concurrence of all official and quasi-official sources on the point.

This article seeks to attempt an analysis by collating all these sources without entering into the constructional technicalities of the Index Numbers of Industrial Production. The discussion has been divided into three sections. The first presents the case for the existence of the slack on the basis of the Official Index. The second sums up a few attempts made by some research organisations to affirm the continuing validity of the CSO's Index pending the availability of new data with respect to 'value added by manufactures' and mentions the improbability of compiling an all-too perfect composite Index in view of the severe lacunae of data regarding the small-scale sector. The final section portrays and analyses some corroboratory evidence largely drawn from official and quasi-official sources to confirm that the disavowal of the slack may only mean lassitude in corrective action and the persistence of deceleration with all implicit threats to the Fourth and the subsequent plans.

I. THE FACT OF INDUSTRIAL SLACK

Table 1 presents data with respect to the Official Output Indices for the period 1966 to 1970 and for the first eight months of 1971 and the Indices have been used to calculate the percentage change in output for every year with reference to the immediately preceding year. In the case of 1971 the percentage change is based on the corresponding period last year.

TABLE 1

Index Numbers of Industrial Production (1960=100)
Variations in Industrial Output, 1966-71

Years	I.Nos.	% change over previous year/period	
1966	152.6	-0.9	Recession
1967	151.4	-0.7	
1968	161.1	6.4	Recovery
1969	172.5	7.1	
1970	180.5	4.6	Deceleration
1971 (Jan-Aug)	184.4	2.3	

It is manifest from the information arranged in Table 1 that we have re-entered the deceleration phase even though a full-scale recession is not over our head. The years 1966 and 1967 which recorded negative growth rates of less than 1 per cent synchronised with recession and the subsequent two years which displayed signs of recovery could not stand firm in the trend and seem to have eventually succumbed to a relapse. The fact that the seventies have opened up with a crawling Index has been quite disconcerting indeed.

A Reserve Bank Report^[1] carried conspicuous reference to the 'noticeable slackening in the tempo of industrial growth'. But while it must be credited for having transmitted the signals of a danger ahead, its footnote (on the same page) offering a partial explanation for the slowdown in statistical factors (arising out of a transfer of some units from the books of the DGTD to the small-scale sector without corresponding adjustments for the past years) furnished to the Government an occasion to relent in complacency and find faults with the CSO's Output Indices. Even though the case for a revision of weights in the Index (adopted in 1960 after a revision from 1956) cannot be lightly dismissed in view of changes in our industrial landscape, the fact of a sluggish output is difficult to disown. Tentative exercises have demonstrated that even a reconstituted Index would not make much of a difference and the Industrial slack is now a truth to be reckoned with.

II. VALIDITY OF THE OFFICIAL INDEX

It is not proposed to dilate too much on this aspect of our study for the primary effort is to dwell at length on the corroboratory evidence. Two studies would be mentioned here: one by the Commerce Research Bureau and the other by the Economic Times Research Bureau.

The Commerce Study analyses all the official objections to the validity of the current Index of Industrial Production and finds them all erroneous or misconstrued. For example, the Government's view that the official Index does not take into account the impressive growth rate of the small-scale sector which has been placed at 11% has been incorrect to the extent that the real output growth of this sector is 3-4% (after neutralising the value growth rate of 11% by a price rise of the order of 7 to 8%) only. Further, the transfer of several small units to the small sector must have been counter-balanced by an addition of new units to the organised sector. Finally, the change in weights occasioned by the 'new industrial dynamism' over the period 1960-65 (1960 being the base for the current series and 1965 or 1966 for which alone value added data are at present available could be used as the new base) would not indicate any significant change in the output trend which remains sluggish in a number of vital sectors of manufacturing.[2]

The Economic Times Study[3] completes the exercise to arrive at the difference that would be produced by a re-adaptation of weights to the new value-added figures available for 1966 only at present. The basic conclusion here too upholds the reliability and realistic character of the CSO Indices of monthly and annual output even when a revision of weights in the light of changes in output structure and shifts in the pattern of consumption (one such revision was introduced in 1967 when as already hinted the base was shifted from 1956 to 1960) were made. Some of the findings of this study are remarkable and may be summed up before a further analysis of the 'industrial situation' is made. They are:

- (i) Weights for the Mining and Quarrying sector have improved from 9.72 per cent (1960 base) to 11.46 per cent (1966 base). The corresponding change in the weights of the manufacturing sector has been a decline from 84.91 per cent to 81.57 per cent. Within the manufacturing sector the main losers and gainers may be classed as below :

TABLE 2

WEIGHT LOSSES AND GAINS ON BASE SHIFTING

Items	1960 base	1966 base
Losers		
Food Manufacturing	12.09	9.64
Beverage & Tobacco	2.22	2.02
Textiles	27.06	19.63
Wood & Cork	.80	.26
Paper & Paper Products	1.61	1.46
Rubber products	2.22	1.98

Gainers	Items	1960 base	1966 base
	Chemical & chemical products	7.26	8.20
	Basic metal	7.38	9.35
	Metal products	2.51	2.78
	Non-electrical machinery	3.38	5.26
	Electrical machinery	3.05	4.44
	Transport equipment	7.71	8.81

- (ii) The basic trend remains generally the same in both the bases. Notice, for example, the following figures of percentage change for 1970 and the first seven months of 1971 :

TABLE 3
PERCENTAGE CHANGE IN MONTHLY OUTPUT

(Base : Previous month)

Months	1970		1971	
	Base 1960	Base 1966	Base 1960	Base 1966
January	—	—	.96	.85
February	—6.1	—5.7	2.00	1.39
March	6.8	5.1	2.07	3.84
April	—3.0	—1.7	1.10	.90
May	—2.8	—2.0	1.24	0.33
June	1.4	—0.5	1.95	2.22
July	.6	.8	3.33	2.94
August	—12.6	—2.8		
September	1.8	1.4		
October	—3.0	—2.0		
November	5.5	3.5		
December	4.9	4.2		

It would be seen that the two bases show a close correspondence both of the magnitude and direction of change in output for most of the months. In the case of 1971 the change has been worked out on the basis of the corresponding period a year ago and not the immediately preceding month and even this establishes a near-identity of change for the two bases.

All this, therefore, suggests that the current Official Index continues to be representative and the change in weights has not reflected any material shift in the industrial situation. The exercises therefore affirm the continuance of the 'slack'. It may be guessed at the moment that the most recent base should also pinpoint the sluggish conditions in numerous areas of manu-

facturing but a complete exercise to show it may not be possible in view of the availability of 'value added data' only with a time-lag of about five-six years. As it is, a certain degree of obsolescence has to be implicit in the Official Index and it may not be desirable to make too much out of it.

III. CORROBORATIVE EVIDENCE

The picture mirrored by the Official Index is endorsed by quite a few confirmatory evidences. They are partly the derivatives of the Official Output Index like the Potential-Utilisation Ratio and Capacity Under-utilisation, and partly an outcome of independent albeit fragmentory investigations like the Survey of Industrial Situation.

The Potential-Utilisation ratio, developed by the Reserve Bank of India^[4], refers to the potential as the peak output reached by any group of manufactures once upon a time during a certain period of study and to the Utilisation ratio as the percentage of current output to this peak. It should therefore be indicative of the degree to which industry is below or above the peak once reached by it. The ratio itself may record variations over time and should evidence efforts made to catch up output and should also present an insight into the future trend. The study covers 82 per cent of the weights in the Official Index and analyses the position for industry-groups like basic, capital goods, intermediate goods, and consumer goods as also for all industries.

The Capacity under-utilisation analysis, again developed by the Reserve Bank^[5], reflects excess capacity (and consequently output slack) owing, among others, to over-building, demand deficiency or input constraints. It covers 163 industries belonging to the chemical, metal and engineering, and other groups and accounts for about 75 per cent of the weights assigned to manufacturing in the CSO's Output Indices. The presence of under-utilisation suggests the potential improvements in output as well and the RBI has worked out an Index of Potential Output for the purpose. The basic premises here have been that: (i) the industries suffering from chronic under-utilisation reorganised their production along a desirable shift-pattern, and (ii) the bottlenecks hampering capacity production along such a shift-pattern could be overcome in the short-run by policy measures and manoeuvres. The desirable shift-pattern would pre-suppose an elimination of single-shift working everywhere and the adoption of double or multiple-shift working universally but within a certain techno-feasible framework. The acceptable norm for the desirable shift-pattern would be: 100 per cent for the first shift in all cases; 80 per cent utilisation for the second where there is no third shift; and 90 per cent for the second and 80 per cent for the third where there is the third shift as well.

The Survey of Industrial Situation yields processed findings from information gathered by the Reserve Bank in response to its questionnaires mailed to the various industrial units. It is a periodical survey and is regularly being reported in the RBI Bulletins. [6] It covers a wide variety of subjects affecting the working of industry and primarily elicits the views of the respondents. To this extent it may be vitiated by the optimism or pessimism of the latter. It may, however, have vital sidelights on the state of industry and industrial output.

In addition to the foregoing material, corroboratory use may also be made of the actual production data published by the Government.

POTENTIAL-UTILISATION RATIO

Table 4 presents data culled from the various issues of the RBI Bulletin:

TABLE 4
POTENTIAL-UTILISATION RATIOS
(1965-69)
INDUSTRY GROUPS

Years	All mfg.	Basic	Cap. goods	Intermediate	Consumer
1965	87.9	86.8	84.9	89.4	88.1
1966	83.2	85.2	69.4	83.3	86.6
1967	79.8	80.8	63.5	83.2	81.9
1968	80.2	83.1	62.8	84.2	81.6
1969	80.4	87.8	61.4	79.5	84.5
Peak*	88.9(1961)	90.5(1963)	84.9(1965)	89.9(1960)	91.4(1961)

*The peak refers to the highest ratio over the sixties and figures in brackets denote the years in which the peak was reached.

SOURCE : (i) RBI Bulletin April, 1970, Table 3 p. 580

(ii) RBI Bulletin, November 1970, Table 1 p. 1907.

It is evident that the utilisation ratio for all manufacturing industries which declined to a low of 79.8 in 1967 only marginally recovered in the two subsequent years but continues to be well below the year 1965 when the Index of Potential Production (showing expansion) was fairly high at 149.5 and also significantly below the peak level attained in 1961.

Group-wise, a mixed tendency has been shown. *Basic industries* have recorded an improvement in 1969 but even at this higher level are below the peak utilisation ratio attained in 1963. *Capital goods* where, of course, substantial capacities had been built up, present the worst picture. The utilisation ratio here has not only declined in 1969 but is disturbingly below the peak attained in a year not very remote i.e., 1965. Besides, this group has been suffering the set-back persistently ever since the peak year. Within this group, the level of utilisation in industrial machinery, railroad equip-

ment and motor vehicles showed a decline even when the potential production index (i.e., capacity expansion) did not show any increase. A somewhat similar situation prevailed in many *intermediate goods* industries like spinning, jute manufactures, leather and fur products, rubber product, paints, varnishes and lacquers, and fittings, fixtures and fasteners where the production potential recorded no expansion but sluggish conditions persisted. The group index of potential utilisation ratio, in consequence, declined substantially to 79.5 in 1969 after having registered a recovery in the preceding year. Since the intermediate sector provides the material inputs for further output, a slack here has to be viewed as more ominous than anywhere else. In fact, the first symptoms of the 1966-67 recession were transmitted by this group itself. With almost a stagnant potential production index, a number of *consumer goods* industries like cotton textile, weaving, textiles manufacture, rubber footwear, matches, glass and glass products, and commercial office and household machines displayed a lower level of utilisation. It is pertinent to note that 32 out of 72 industries included in this study showed a *decline* in the potential utilisation level (with, of course, either a higher or a stagnant potential production).

This analysis clearly reveals that industries which have considerable spread-effects have for some time been suffering a prolonged recession and call for corrective action. There are also cases of industries (for instance, the basic industries) where both capacity expansion and low utilisation ratios have co-existed. Whereas a situation like this might be concealing some of the anomalies of our industrial system, it certainly manifests lower output and the inability of the industry group concerned to harness the expanded capacity even at an earlier level.

CAPACITY UNDER-UTILISATION

Capacity utilisation in Indian industry presents a somewhat sombre picture. Input constraints and faulty demand projections have resulted in excess capacity situation in many cases. A situation like this, caused by whatever factors, is positively indicative of the slack in output. If it were to be assumed that an industry that was utilising no more than 80 per cent of its capacity suffered from chronic under-utilisation, a very serious situation might emerge.[7] Table 5 presents the relevant data :

TABLE 5
CHRONIC CAPACITY UNDERUTILISATION IN INDIAN
INDUSTRY (1963 and 1967)

Industry-group	1963		1967	
	No. of industries	Weights	No. of industries	Weights
1. Chemical (Total covered : No. 72 Weights 6.14)	48	3.99	52	4.63

Industry-group	1963		1967	
	No. of industries	Weights	No. of industries	Weights
2. Metal & Engg. (Total covered : No. 78 Weights 18.66)	27	1.77	52	8.27
3. Others (Total covered : No. 13 Weights 50.50)	4	23.76	6	31.31

It is evident from the foregoing data that chronic under-utilisation was on an increase over the period 1963-1967 in all industry groups. The incidence increased sharply, both in terms of number of industries and weights occupied in the Official Index, in the case of metal and engineering goods. Whereas some 27 industries in this group with weights of about 1.8 suffered from chronic under-utilisation, 52 of them with weights of about 8.3 were afflicted by the situation in 1967. The number of the miscellaneous group of industries (comprising largely the consumer goods and agro-based industries) affected by chronic under-utilisation rose by 50 percent from 4 to 6 over 1963-1967; the corresponding weights over the two reference years were 23.8 and 31.3 respectively. A very unfortunate phenomenon in the case of the last two groups was that capacity expansion continued irrespective of the prevailing state of chronic under-utilisation. This applied to 85 per cent of the industries belonging to the metal and engineering group. It is to be noted that a similar finding emerged from the analysis of the Potential-Utilisation Ratio.

After having established the fact of under-utilisation and its output consequences, the RBI study attempts to reckon the gains in production that would accrue within a short-run of, say 4 to 5 years, if the industries reorganised their production along the desirable shift-pattern and the bane of under-utilisation were liquidated by steps to overcome bottlenecks like input shortages and demand deficiency. It may be revealing to quote the study in full on this point: [8]

"It would be observed that the index of industrial production (1967 actual production-100) would have been 177 if the industries were working on a multi-shift basis. There would be, however, some time-lag in overcoming bottlenecks and achieving full capacity production. If it would take 4-5 years to reach this capacity output, then with only marginal additions to fixed investment in these industries, their output could be raised at a compound rate of 12 to 15 per cent per annum."

This gives us an approximate idea as to the loss of output that we had been suffering owing to the under-utilisation malady. A revelation like this only affirms the prevailing notion that there is still considerable

scope for the improvement of productivity within our Industrial economy. At a moment when fixed investment resources are scarce, advantage must be had of existing unused capacities. This would, perhaps, be a useful channel of raising output in the short run and at minimal costs. The conclusion also carries an implicit caveat for future licensing of capacities which have to be rationalised in the light of regular demand projections synchronised with an evaluation of output-progress of individual products and industries from time to time.

While concluding, it must be mentioned that the study referred to above is a little out-dated and more recent data show an improvement in utilisation ratios. For instance, a study by the Economic Times disclosed that 58.7 per cent of 325 industries showed an under-utilisation level below 40 per cent in 1970 as against 54.2 per cent of them in 1969 and 53.5 per cent in 1968 falling in the same category. Likewise, the percentage of industries in the utilisation-ratio-range of 60-90 per cent has improved from 26.9 per cent in 1969 to 31.3 per cent in 1970. But the very fact that more than half of the industrial sector still groans under chronic under-utilisation should be rated as a disconcerting situation. Moreover, a number of industries like cement plants, iron castings, insulators, food processing, gas welding, power tillers and road rollers etc. have been working within 4 to 20 per cent of their installed capacity only and the fact that the position of quite a few of them has deteriorated sharply from the one obtaining in 1969 is appalling indeed.[9]

SURVEY OF INDUSTRIAL SITUATION

Table 6 sums up the data relating to changes in the value of output reported by different units responding to the RBI questionnaires in different time-periods :

TABLE 6
CHANGES IN THE VALUE OF OUTPUT
(1968-1970)

Years	No. of units reporting	No. of units reporting decrease	No. of units reporting decrease of 1 to 25%
1968	116	51	36
1969	127	33	27
Jan-June 1970	188	41	29
July-Dec. 1970	212	56	37

SOURCE : RBI Bulletins, April 1969, March 1970, Jan 1971 August 1971.

It is significant to note that the number of units reporting decrease has remained at a fairly high level. Even though the sample has not been consistently uniform, the number of common companies responding has been increasing in successive periods. For example, 70 out of 141 reporting companies responded both in 1969 and Jan-June 1970 and 100 out of 154 companies were common to both the half-yearly periods of 1970. A noticeable feature of the Survey is the compilation of management's views of the respondent companies with respect to the prevailing level of production. About 54 per cent of the responding units (119 out of 222 units) during July-Dec. 1970 and 53 per cent during Jan-June 1970 reported an unsatisfactory level of working of their plants. The respondents felt that they could augment output but for certain impediments. Table 7 shows the improvement expectations of managements if the difficulties were removed :

TABLE 7

ANTICIPATED OUTPUT IMPROVEMENTS

Periods	Improvement ranges	No. of units reporting unsatisfactory working
1969	Less than 25%	21)
	25% and above	43)
Jan-June 1970	Less than 25%	23)
	25% and above	76)
July-Dec 1970	Less than 25%	36)
	25% and above	79)

SOURCE : RBI Bulletins, Op. Cit.

It would be seen that the number of units with an improvement expectation of 25 per cent and above has increased rapidly over the past one year. It was 43 for the whole of the year 1969 but rose to 79 just during a six-month period of 1970. The fact that these expectations did not materialise (evidently due to a number of problems and constraints classified below) only pinpoints the low level of utilisation potential which has come out to be the chronic ailment of a number of our crucial industry groups.

The RBI Survey also classified the problems that curbed a satisfactory output growth. It may be useful to have a look at these factors both for analysis and policy measures. Important causes inhibitive of output have been stated thus:

1. Shortage and rising prices of raw materials (almost all industries)
2. Government's restrictive policies with respect to fair prices, industrial licences and allocations for raw material, imports (transport

- equipment electrical machinery other machinery dyes and dyestuffs medicines and pharmaceuticals, other chemical products, cement)
3. High excise duty (chemical fertilisers and paper and paper products)
 4. Labour troubles and increasing wages (aluminium, basic industrial chemicals, paper and paper products and rubber and rubber products)
 5. Erratic components supply by ancillaries (transport equipment and chemical products)
 6. Inequitable concessions to small units (paper and paper products)
 7. Transport bottleneck (cement and electrical machinery).

An attempt similarly to highlight the problems faced by industry has been made by the Economic Times. Here the chairman's speeches of about 58 companies have been analysed and ten industry-groups have been covered viz., aluminium, engineering, chemicals, fertilisers, paper, rubber goods, vegetable oils, cotton textiles, iron & steel and sugar. The various problems and the number of companies afflicted by them have been arranged in Table 8 in order of their intensity:

TABLE 8
PROBLEMS INHIBITIVE OF OUTPUT

Description	No. of cos.	% to total
1. Raw material shortage	35	60
2. Labour trouble	22	38
3. Rising material and other costs	21	36
4. Delays in licences & other delays	19	33
5. Price control, indiscriminate imports and credit squeeze	15	26
6. Power, fuel and water shortage	14	24
7. Shortage of wagons, hike in freight rates and fiscal burdens	12	21
8. Miscellaneous viz., inventory accumulation, plant breakdown etc.	3	5

It would be seen that the most crucial factor in recent years has been the raw-material shortage. About 60 per cent of the concerns reported this and the critical items involved were steel, fluoride, acrylics, fibrous materials, basic chemicals, and refractories etc. It is interesting to notice a marked concurrence between the ET survey and the RBI study. Could it be that the respondents suffered from a bias? But the factors highlighted are too ubiquitous to be analysed with pains. Depth studies could, however, isolate some more areas for which industry could very well be held responsible.

ACTUAL OUTPUT VARIATIONS

Our final evidence to affirm the industrial slack and its persistence is the actual output data in certain select groups of industries. Table 9 portrays it along with percentage variations over the period 1969-71.

TABLE 9

ACTUAL OUTPUT VARIATIONS

Industry - categories	Percentage change		
	1969 over 1968	1970 over 1969	Jan.-Jul. 71 over Jan.-Jul. 70
Coal	6.3	-3.5	-7.0
Sugar	77.0	10.3	-14.6
Salt	4.7	9.2	-7.4
Cotton yarn	-1.0	1.5	-11.0
Leather cloth	-5.1	-12.9	-11.9
Rubber footwear	-13.9	-9.1	-22.4
Bicycle tyres	-12.2	-2.9	-21.9
Bicycle tubes	-6.2	-7.2	-40.9
Sulphuric acid	16.7	4.2	-9.1
Caustic soda	13.4	4.2	2.6
Bichromates	6.3	28.6	-35.9
Matches	0.4	-22.5	-64.4
Industrial alcohol	10.4	26.8	0.5
Vat dyés	23.2	-3.8	-16.3
Petroleum refining	6.9	9.9	3.6
Refractories	-1.7	15.0	7.3
Glazed tiles	32.6	5.2	-9.3
Finished steel	13.3	-2.8	-2.4
Copper	5.0	-4.5	-0.5
Lead	18.9	-5.0	-30.8
Zinc	16.6	-20.9	-26.7
Steel pipes & tubes	16.4	-27.4	-20.9
Tractors	30.7	10.2	-13.4
Vehicular diesel engines	9.5	23.7	-14.2
Power driven pumps	12.7	-27.0	-31.7
Sugar mill machinery	10.1	15.9	-2.9
Tea processing machinery	0.7	-20.1	-19.0
Cement mill machinery	19.7	-16.9	-68.4
Electric motors	8.7	37.0	-19.1
Winding wire	64.0	11.0	18.6
Motor cycles	17.3	24.6	-26.0
Scooters	36.9	18.5	14.0
Railway wagons	-13.3	-34.9	-14.0

An inspection of Table 9 would reveal that the declining trend of output is discernible in a wide range of industries. Capital goods including industrial machinery, electric and non electric machinery, and transport equipment; basic industries including both ferrous and non-ferrous metals; intermediate goods including dyes and chemicals, petroleum refinery products and refractories; and consumer goods like sugar, salt, cloth and rubber products seem to be under the grips of a very slow growth rate. The growth rate variations of actual output could be classified to disclose the amplitude of the slack as below:

- (a) *Declining positive growth rates*: Industries in this group record a setback in their positive growth career. In other words, output here is increasing but at a drastically reduced rate in all the three periods covered. Industrial alcohol, petroleum refinery products, winding wires, scooters, caustic soda may be some of the examples.
- (b) *Consistently negative growth rates*: In this category, output is showing a consistent decline in each of the three successive periods. Leather cloth, rubber footwear, bicycle tyres and tubes, tea processing machinery, and railway wagons constitute the major examples in this group.
- (c) *Positive growth followed by Negative growth*: Most of these industries recorded a high positive growth of output in 1969 as compared with the year 1968 but plunged into a slack thereafter. Sugar, glazed tiles, finished steel, steel pipes and tubes, non-ferrous metals (excluding aluminium), tractors, power-driven pumps and cement mill machinery furnish examples here.

The analysis in the foregoing pages shows in unmistakable terms the slackening tempo of industrial output. All the corroboratory evidence adduced turns upon this conclusion and the official contention seems to be more a myth than a reality. The growth rate over the first half of the Fourth Plan has suffered a definite set back and the Mid-term Appraisal minces no words in acknowledging it, thus:

"The overall performance of the industrial sector in the first half of the Plan period was unsatisfactory. . . . It is also true that the poor record of overall industrial growth is largely the result of stagnation or even decline in the output of a few major industries, especially textiles, steel and transport equipment. The fact, nevertheless, remains that the growth is well below the plan target (8 to 10 per cent a year). More disturbingly, the growth rate has declined."^[1]

At this juncture, therefore, it is highly inept to quarrel with figures especially in an attempt to seek an alibi for inaction and dithering. It is also futile to furnish negative evidence in support of a national growth. To quote the surge in the number of industrial licences as of now as a proof for indus-

trial recovery is equally erroneous. It may at best be a welcome symptom for future but not an argument against the persisting slack. It has to be candidly acknowledged and squarely dealt with. If industrial growth grinds to a halt and national output suffers as a result, it would, indeed, be a grim prelude for the Fifth Plan. The Government must be in readiness to initiate a compact policy package. More particularly, increased investment wherever there is a capacity constraint, fuller utilisation of capacities, a more desirable shift pattern, foreign exchange allocation to ensure an efficient supply of key materials, components and balancing equipment, rationalised licensing, exploration of foreign markets to fight out the sluggish home demand, may be some of the measures which may be incorporated in the future plan of action. A more productive approach towards credit supply may also be called for

NOTES AND REFERENCES

1. Annual Report of the Working of the Reserve Bank of India for the year 1971, p. 2.
2. For details see: Commerce, Nov 20, 1971, pp. 988-90
3. See Economic Times dated 20th Jan 1972
4. RBI Bulletins April 1970 and Nov 1970
5. RBI Bulletin April 1969 pp. 471-92
6. RBI Bulletins April 1969, March 1970, Jan 1971 and Aug 1971.
7. Chronic under-utilisation at 20% or more levels has been assumed for the reason that the acceptable norm for the last shift in a multi-shift pattern has been placed at 80% utilisation. The RBI study has used the 30% level to work out its estimates of 'chronic under-utilisation incidence'.
8. RBI Bulletin, April 1969, p. 479
9. Economic Times Research Bureau study entitled "Capacity Utilisation" Economic Times dated 2nd July 1971.,
10. Economic Times dated 19th August, 1971.
11. Planning Commission, Mid-Term Appraisal, Vol I, p. 9.