

# **TOWARDS COST COMPETITIVENESS**

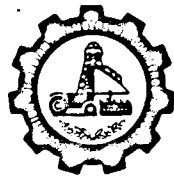
**FICCI COMMITTEE REPORT**



**FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY**  
Federation House, Tansen Marg, New Delhi - 110 001

# **TOWARDS COST COMPETITIVENESS**

## **FICCI COMMITTEE REPORT**



**FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY**  
Federation House, Tansen Marg, New Delhi - 110 001

# **TOWARDS COST COMPETITIVENESS**

**FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY  
Federation House, Tansen Marg, New Delhi - 110 001**

**Printed and published by Y. L. Sood for the Federation of Indian Chambers of Commerce & Industry, Federation House,  
New Delhi-110 001 at PRINTAID, 31, Phase II, Scheme II, NOIC, New Delhi-110 020. (November, 1987—1000 Copies).**

## CONTENTS

---

	<i>Page</i>
Foreword	(v)
Members of the Committee	(vi)
I. How High Cost Are We ?	1
II. Effect of High Cost	4
—High Costs and Domestic Consumption	4
—India's Declining Share in World Trade	5
III. Causes of High Cost	6
—Capital Costs : Comparative Position	7
—Relative Movements in Capital Goods Prices	8
—Escalations in Capital Costs in India	8
—Time Overruns add to Costs	9
—Cost of Finance : Long Term	9
—High Short-Term Rates of Interest	9
—Overall Cost of Finance	10
—Incidence of Capital Servicing	10
—Capacity Under Utilisation	10
—Uneconomic Size of Production and High Cost	11
—Technology Factor	12
—High Energy Consumption : A Factor of High Cost	13
—Infrastructural Bottlenecks : Constraint	14
—Increase in Prices of Major Raw Materials/Inputs	14
—Need for Providing Inexpensive Inputs	15
—Over-staffing	15
—Import Substitution at What Cost	15
—Toning up Management	15
IV. Impact of High Cost on Productivity	17
—Some Physical Indicators	17

— Value Added Per Worker As a Measure of Productivity	17
— Productivity Index (Value Added Per Worker) Industry-wise	17
<b>V. Agenda for Change</b>	<b>20</b>
— Improvement in Infrastructure	20
— Cost of Finance	21
— Some other Changes in the Area of Finance	21
— Inventories	21
— Customs Duty/Excise Duty on Capital Equipment	22
— Delays Add to Costs	22
— Need for Technology Upgradation	23
— Raising Productivity	23
— Adopting Appropriate Price Policy	24
— Exports should be Built into Production/Plans	25
— Should We Devalue	27
— Summing Up	27
<b>VI. Appendices</b>	<b>31-59</b>